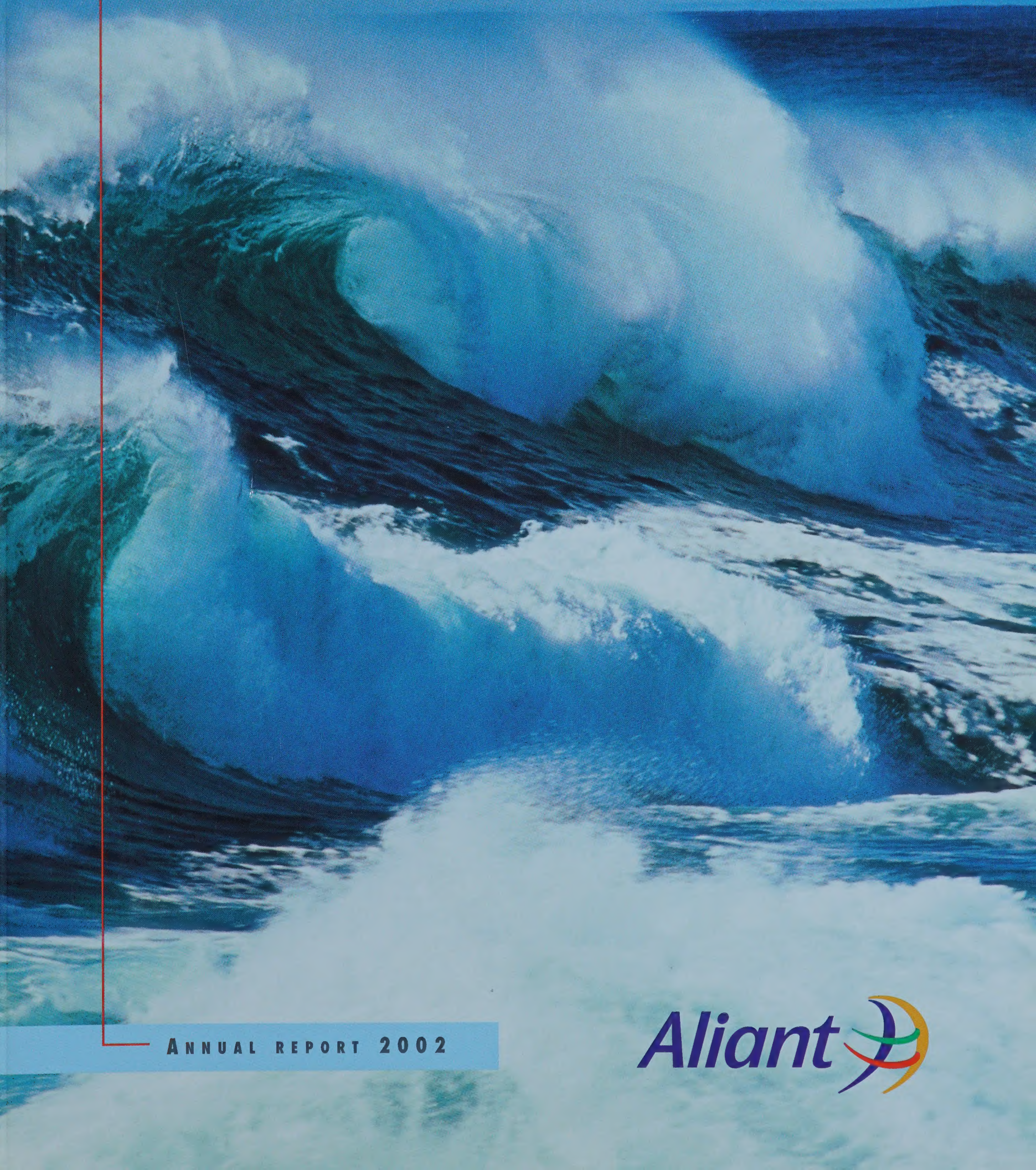
Our place. Our time.



ANNUAL REPORT 2002

Aliant

Our place is Atlantic Canada. Our time is now.

Everyone has a home. Ours is Atlantic Canada. It is here that we provide telecommunications services to more than two million people. And it is here that we pursue innovation and put advanced technology solutions to work for customers worldwide. Our company is built on a strong history, but our services are designed for the needs of customers today and tomorrow. More than ever, we are ready for what lies ahead. It is our time.

About the cover

Powerful. Dynamic. Enduring. Atlantic Canadians share a common bond: The ocean. It has shaped our history and defined our people. At Aliant, we bring together Atlantic Canadians too – with technology – to help them share the present and build the future.

Photograph taken at Peggy's Cove, Nova Scotia

WWW.ALIANT.CA

Contents

Ce rapport est également publié en français.

Revenues, earnings, dividends – all up

(millions of dollars except per share amounts)	2002	2001	% change
Operations			
Total operating revenues	$ 2,630	$ 2,602	1.1
EBITDA[1 2]	$ 942	$ 977	(3.6)
Net income[1]	$ 177	$ 167	6.0
Earnings per common share[1]	$ 1.21	$ 1.18	2.5
Return on common equity[1]	10.8%	11.7%	(9.0)
Shareholder statistics			
Year-end stock price	$ 25.25	$ 29.98	(15.8)
Price/earnings ratio (December 31)	20.9	25.4	(17.7)
Average number of common shares outstanding (thousands)	138,907	135,615	2.4
Dividends per common share	$ 1.00	$ 0.90	11.1
Other information			
Capital expenditures	$ 415	$ 466	(10.9)
Network access services – landlines (thousands)	1,521	1,527	(0.4)
Network access services – cellular (thousands)	551	472	16.7
Internet subscribers – high speed (thousands)	96	68	41.2
Internet subscribers – dial-up (thousands)	192	195	(1.5)
Long distance conversation minutes (millions)	3,666	3,497	4.8
Employees (December 31)	10,100	10,621	(4.9)

1 2001 figure excludes restructuring charge of $111.2 million.
2 EBITDA is defined by the Company as operating income plus depreciation and amortization expense. EBITDA is not a measure of financial performance under Canadian generally accepted accounting principles and is not necessarily comparable to similarly titled measures used by other companies. The Company has included information concerning EBITDA because it believes that it is used by certain investors as one measure of the Company's financial performance. EBITDA should not be construed as an alternative to operating income or to cash flows from operating activities (as determined in accordance with Canadian generally accepted accounting principles) as a measure of liquidity.

Market share in Atlantic Canada*	
Local service	97%
Long distance	88%
Wireless	75%
Internet	67%

** Estimate*

HIGHLIGHTS

We are focusing on what we do best: Telecommunications

2002 was a year of renewed focus for Aliant. It was also a year of significant gains. Despite the challenging economy and industry climate, earnings per share grew by 2.5 per cent and net income grew by 6 per cent. Revenues increased. Capital expenses decreased. We raised our dividend to common shareholders by 11 per cent and we generated free cash flow from operations of $233 million. We directed our attention to the strength of our core telecommunications business.

As Aliant evolves, we're building on our deep roots in Atlantic Canada to bring the best of our heritage as a recognized leader in North America's telecommunications industry to our customers, shareholders, employees and partners. Our businesses have benefited from our diversified investments of recent years, but in these conservative times, we believe that we can best prepare for our future and add value to shareholders by focusing on what we do best. In a word: telecommunications.

Our commitment to customers is stronger than ever. As we expand our products and services, and invest in our networks, we do so with a promise of excellence in customer service, choice and convenience.

In our telecommunications business, particularly, we have taken great strides forward. We have revitalized customer service, and our efforts to improve productivity resulted in $61 million in expense savings and $37 million in capital reductions. We also achieved $27 million in EBITDA improvement by aligning programs with Bell Canada.

We are also excited about the prospects for significant continued growth in our wireless and Internet business. During 2002, Aliant generated the best wireless growth numbers in Canada, growing our subscriber base by 17 per cent, including a 65 per cent increase in customers who choose our digital cellular service. Wireless revenues earned through cellular, paging and mobile radio services increased 13 per cent. Our Internet services continue to meet high demand. Revenues were up 16 per cent in 2002, with high-speed Internet customers increasing by

42 per cent, served on our state-of-the-art broadband network that now passes 60 per cent of homes in Atlantic Canada.

The year was not without challenges. Regulatory changes impacted our performance, eliminating approximately $120 million in revenue related to two Canadian Radio-television and Telecommunications Commission rulings on contribution and price caps. Taking everything into account, we have generated the momentum to propel us forward to even greater success in the future.

While pursuing our telecom-focused strategy, we announced in 2002 that we would actively seek to sell those assets that are no longer core, including AMI Offshore Inc., Prexar, and our minority investment in iMagicTV. We also decided to sell xwave, our information technology business, recognizing that it needs a more strategic fit within the IT industry to ensure its long-term prosperity. Given the strong relationship between xwave and Aliant, and our desire to continue building on that relationship, we will seek to partner it with an IT provider that has a solid track record of providing highly qualified IT outsourcing solutions, as well as proven go-to-market partnering capabilities.

In 2002, we enjoyed great success in Stratos Global, a company which was incubated within one of Aliant's predecessor companies. This year revenue and profit growth strengthened the operation and have successfully positioned it to play a leading role in the consolidation of the remote communications industry.

2002 also saw us welcome Barry Kydd as chief financial officer, and Frank Fagan to a new role as chief operating officer. These additions to our senior leadership team strengthen Aliant's management and position us well for the coming years.

Looking ahead to 2003, we remain confident in the strength of our core local and long distance services, where we will focus on maintaining and growing market share levels through creative offerings, branding initiatives, marketing savvy, and by improving our services through a modern and effective supply chain. We will also seek out new, innovative and customer-valued applications so that we can capitalize on the investment we have in our existing infrastructure by generating incremental revenues. Our unwavering focus to deliver the latest communications technologies will provide us with an important competitive advantage and further our customer attraction and retention efforts.

2003 will mark an important year of transition for Aliant as we finalize our evolution to an Atlantic Canada based, telecom-centred business. To accomplish this we will focus on preserving and growing revenue, continually improving the cost structure of our organization, investing in our human capital, and exiting from non-core businesses.

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Atlantic Canada is our place. It's home to our employees and to our shareholders. It's where we serve over two million people and keep them connected to the world. As the region that has shaped our 100-year old history, it also defines the face of our future. Now, more than ever since Aliant's creation, our strategy embraces Atlantic Canada and the potential we see for growth in our home market. Our time is now.

Jay Forbes
President and chief executive officer
February 2003

More than ordinary phones for extraordinary people

At Aliant, we know that keeping Atlantic Canadians connected has never been more important. For centuries, the extraordinary people of this region have shared a history, a common geography and an unwavering dedication to progress. As the region's leading telecommunications provider, we're proud that our network helps Atlantic Canadians build and strengthen their ties to one another, and to the world around us. In our new, and still young century we've already faced global challenges together. As events continue to unfold around us, we'll be there to serve the people of this region. Together, we're turning challenges into opportunities for Atlantic Canadians.

Though our advanced technologies continue to rapidly evolve, the heart of our business is traditional telecommunications. Almost a third of our annual revenue comes from local telephone service and another 16 per cent from long distance. Over the years, our customers have come to depend upon our consistency of service. And so they should. Our network is among the most robust and sophisticated in the world. In 2002, we invested over $131 million to improve our core consumer and business infrastructure, and maintain our high standard of 99.9 per cent reliability. Because whether it's a business customer calling overseas to finalize a shipment, or a heart patient remotely connecting to a cardiac monitoring specialist in another city, we understand that our network is essential to our customers' everyday lives.

Our strengths in service and leading communications technology continue to ensure we stay ahead of the pack. In 2002, business network access (NAS) grew by 1.2 per cent, and while we saw a slight decline in consumer network access of 1.4 per cent due largely to increased competition, we're working hard to win back customers. Our market share of 97 per cent in local

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service is proof positive that Atlantic Canadians are satisfied customers. And, despite the fact that Atlantic Canada remains one of the most competitive regions in North America, 2002 saw our long distance revenues stabilize. Long distance minutes grew 4.8 per cent over 2001, and the use of call management features, like Call Answer and Call Display, were up by 2.8 per cent.

Earning the business of so many in our region is a privilege we don't take for granted. We strive each day to strengthen our ties with customers and improve their telecommunications experience. In 2002 we introduced the choice of bilingual operator services across Atlantic Canada. We also launched a convenient online billing and customer service application to simplify the process of setting up an account or adding new services to an existing one. And customers are responding. In our youth market alone, more than 1,400 students got "connected" for school online, using Aliant's Student Connect self-installation program – that's a 600 per cent increase over the previous year. In 2003 our focus on customer satisfaction will remain paramount as we continue to find ways to make our customers' service experience friendly, simple and seamless.

In addition to focusing on service improvements, we're continually striving to improve our internal processes.

LOCAL AND LONG DISTANCE TELEPHONE SERVICE

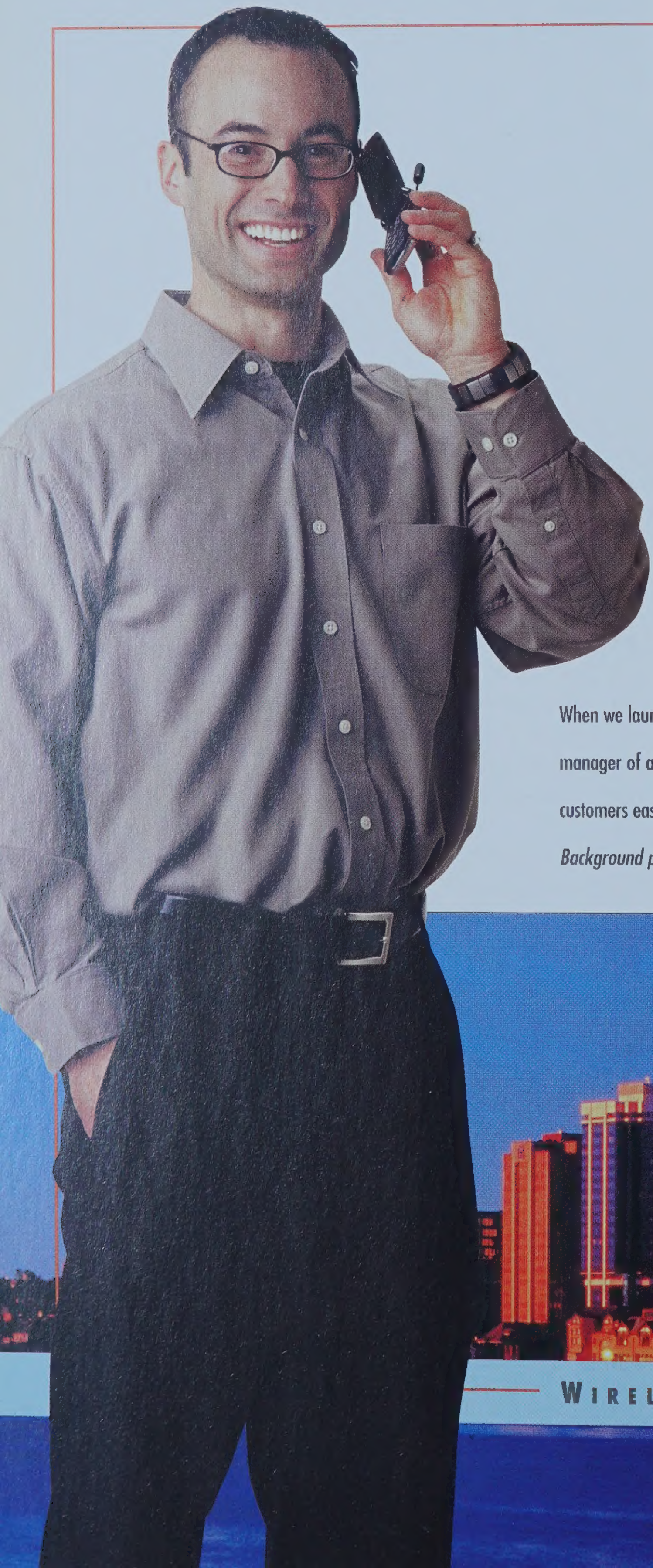
This past year we completed the rollout of a new online scheduling, dispatch and job tracking system, known to our employees as Access Care. Now in use across Atlantic Canada, this integrated system has increased productivity and lowered costs. Using a wireless laptop, our technicians can assess and schedule the day's appointments directly from their Aliant vehicle. At the end of a customer visit, details of the service call are uploaded to our dispatch and billing system – automatically updating our records. This paper-free method not only has positive environmental benefits, but also translates into more time spent helping customers.

Bringing people together and keeping them in touch is at Aliant's core. We are committed to providing the best products and services, and making our technology so user friendly and convenient that some might call it ordinary at first glance. By doing so, we're continuing to meet the diverse communication needs of our customers. Connecting Atlantic Canadians is what we do best.

To many of our business customers on the Island the face of Aliant belongs to Matt O'Shea, PBX & special services technician. Matt has been installing phones on Prince Edward Island for over 17 years.

Background photograph: Springbrook, Prince Edward Island

Keeping up with the Joneses, LeBlancs and MacPhees

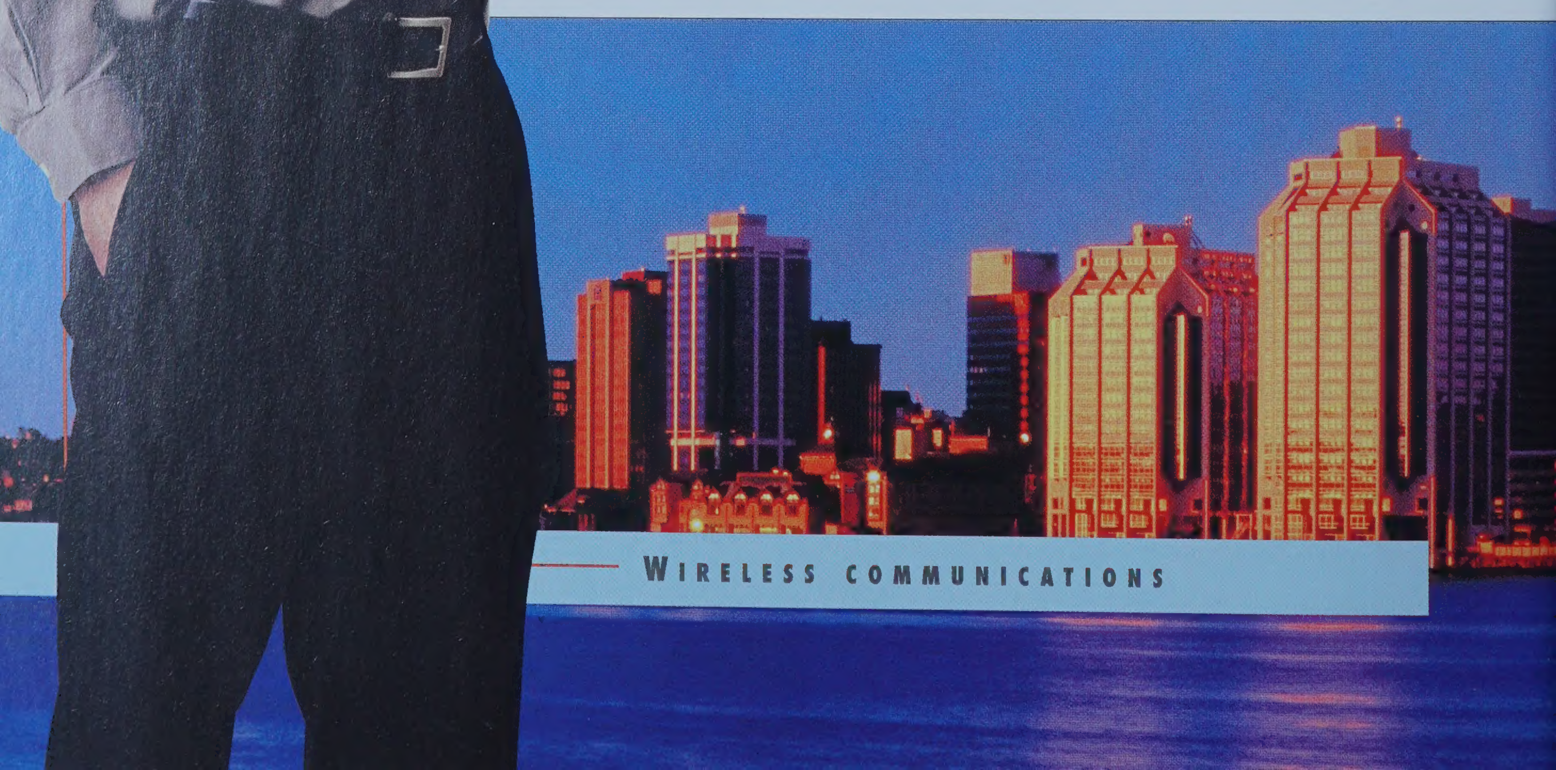


Our fast-paced world grows smaller every day and never before has it been more convenient to be in touch with what's going on at home and across the globe. Wireless technology has given us the freedom to live, travel, work and to talk, often simultaneously, and with few boundaries. Our new wireless devices give us instant, portable access to any place, any time.

Since Aliant began providing cellular service some 15 years ago, the technology's popularity has seen tremendous growth among all ages and areas. Today, roughly 11 per cent of our revenue stems from wireless products and services, and trends are indicating that growth will continue. By the end of 2002 Aliant had 550,000 wireless subscribers (75 per cent market share), a growth of 17 per cent over the previous year, the highest per cent of wireless growth in Canada for the year.

When we launched our new 1xRTT cellular network in Halifax no one was more excited than Shawn Amirault, manager of advertising and customer retention. The new network is the fastest in Atlantic Canada, giving customers easier access to email, corporate Intranets, and graphic-rich Web content.

Background photograph: Halifax, Nova Scotia

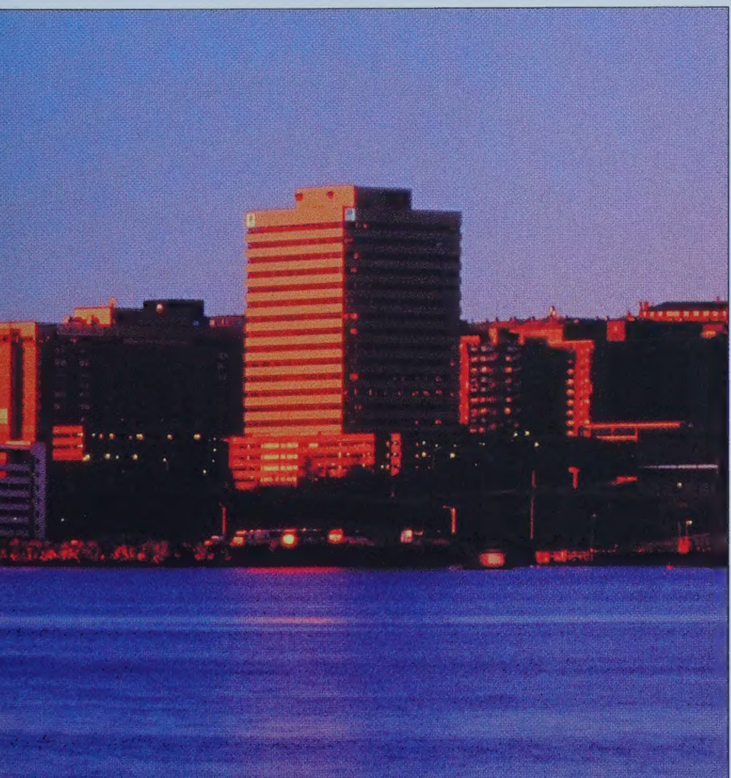


WIRELESS COMMUNICATIONS

Our customers want access to the latest in wireless technology so they can do more, interactively and faster, using their wireless devices. That is why we are growing the best and broadest digital wireless network in Atlantic Canada. In 2002 we invested close to $60 million in the expansion of our digital wireless networks, adding more than 100 new digital sites in communities across the four provinces to complete key corridors of digital coverage in the Atlantic region. We now reach over 68 per cent of the entire Atlantic Canadian population with digital wireless coverage. Of Aliant's 550,000 wireless subscribers, 50 per cent are digital users as compared to 35 per cent in 2001.

Whether it's a pizza delivery person in Sussex taking a payment on a handheld Mobile Merchant™ unit, a travelling executive conducting business on her PDA in the Halifax airport, or an engineer in St. John's monitoring the fleet of snowploughs working in his city, these days wireless means more than cell phones.

The benefits of our wireless data services appeal to a wide-range of customers. Using a cost-saving strategy of leveraging existing infrastructure, Aliant is expanding its wireless data network. Data applications make it possible for organizations like the City of Fredericton police law enforcement to maintain an always-on connection with their headquarters – an essential part of emergency response work. City engineers in St. John's are also



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realizing benefits. Through wireless data services they can visually monitor the real-time location and progress of city snowploughs on a large-map grid, assigning and deploying their fleet as required.

Providing the right wireless solutions for our customers is our focus at Aliant. Our 1xRTT network launched in December 2002, and now available in St. John's, Halifax, Sydney, Charlottetown, Fredericton, Moncton, and Saint John, delivers among the fastest wireless data speeds in Atlantic Canada, up to 86Kbps. In everyday terms, 1X can help you connect to the Internet, access email and download information at much faster speeds. Using a cell phone as a modem, a customer can quickly book air travel on the wireless Web and download an electronic airplane ticket directly onto their laptop.

Aliant is focused on anywhere, anytime communications. Through our investment in Stratos Global, 'wireless' takes on a new meaning. This company's satellite communications system connects even the most remote areas of the world whether in the air, on land, or at sea.

We are also focused on the youth market – an incredibly valuable source of trend and innovation in new technologies. In June of 2002, Aliant Mobility engaged 12 Atlantic Canadian youth, ranging in age from 13 – 24, to work online with our marketing team on the evolving needs of this group. This youth advisory panel gives us direct access to an important key market segment and a forum for stimulating discussion on everything from strategy and advertising, to new product concepts.

At Aliant we are keeping up with the changing needs of our customers – so they can keep up with the Joneses, LeBlancs and MacPhees, no matter where they are in the world.

Will toasters talk to teapots?

In a world where the pace of change is sometimes more than one can imagine – it may not be too long before toasters will be talking to teapots. While we can't predict with absolute certainty what the future will hold, we do know that we will be ready to embrace and deliver the most advanced and valuable services to our customers.

At Aliant, we are preparing for the future today. The continuous investments in our infrastructure provide the foundation for our Internet services, including high-speed Internet and enhanced media-rich broadband applications. In 2002, our Internet revenues grew by 16 per cent and our market share maintained a strong 67 per cent, including a 42 per cent climb in high-speed connections.

In 2002, Aliant undertook the most aggressive augmentation, expansion and maintenance plan in our organization's history. Our employees embraced this project with unprecedented enthusiasm. By the end of the first quarter of 2002, we installed 30 per cent more ports than the entire previous year, increasing our capacity to an additional 168,841 ports and we continue to add more each day.

Building on this network, customers in Atlantic Canada have access to a complete broadband experience including content, applications and communication services, helping them address their business, everyday living and commerce needs.

In 2002 Aliant launched the aliant.net Broadband Zone, an exclusive and free broadband portal for Aliant's high-speed Internet users. More than a Web site, aliant.net is an online entertainment and information experience that delivers local news and sports coverage, national television news clips, movie previews, full-length music videos and more. Aliant's Broadband Zone offers access to fun applications like GamesMania,™ an entertainment service that uses special streaming technology to send PC Games to your computer over an Aliant high-speed

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Internet connection; and practical applications like Aliant Anti-Virus security protection which protects your PC from the latest internet viruses, worms and trojans, for affordable monthly subscription costs. All of this combined with exclusive broadcast coverage of concerts and events, such as the Alanis Morissette concert and the World Junior Hockey Championships; make aliant.net a must-experience site.

In 2003 we will expand and evolve our aliant.net portal into an integrated single point of contact site. Now, in addition to valuable information and entertainment content, aliant.net will provide easy self-service access to Aliant's suite of products and services giving our customers the convenience of everything Aliant – all in one place.

Our business portal is another example of an enhanced online solution, but built specifically for our business customers. This portal, the first of its kind in Atlantic Canada, gives our entrepreneurs a single point of access to today's powerful business tools, helpful hints, how-to's and business profiles, which can help them run their business – simply and economically. By subscribing to a self-service tool called My Office business users can pick and choose from a suite of powerful software applications. Everything from creating an e-store to Web site hosting to accounting programs are available online – saving our customers money and valuable time.

INTERNET ACCESS AND APPLICATIONS

We recognize that customers are looking for a complete experience and our service delivery continues to be a focus and priority. In 2003 we are making two major improvements to customer service delivery, which help to grow our business while maintaining our costs. Online broadband Pre-Qualification and Auto Provisioning are giving our customers and employees improved access to information about our service, while improving the ordering process.

These two initiatives will significantly improve our records management and cost controls. For our customers, it will shorten the delivery time by nearly two days, thus allowing a faster and more efficient installation of their high-speed Internet service.

Aliant's skilled employees, robust network and enhanced products and services all come together to help us build strong relationships with our customers. Aliant has been helping Atlantic Canadians connect to the people and places that are important to them for over 100 years. Will there be e-appliances that communicate with each other in the e-kitchen? At Aliant, we think anything is possible – just think about how much we've accomplished so far.

There has been explosive growth in the number and kinds of devices that can access the Internet, like this personal digital assistant (PDA) being used by Jennifer Wong, sales tools analyst. Newer PDAs have much of the same capabilities as desktop computers and are fueling demand for network bandwidth.
Background photograph: Lunenburg, Nova Scotia

Artisans of the information age

We live in an age in which geography is becoming less important. The Internet has changed the way the world operates. Artisans of a bygone era designed and built the means by which we do business, travel and learn. They engineered the highways, bridges, and buildings of trade and commerce; they built schools and universities. Today's landscape is changing rapidly but Aliant's artisans are busy building bridges of a new kind through Internet protocol (IP) technology.

Aliant is a recognized leader in the development of pacesetting technologies, and commercializing them for business customers here in Atlantic Canada. The small- to medium-sized business sector is a vital and growing market in our region. By collaborating with our business customers we know they want cost-effective advanced communications services that combine IT and telephony into whole solutions – and they want the simplicity of service from one source.

We are working with our partners, like xwave and Bell, to develop and deliver complete and integrated solutions to small- to medium-sized businesses at an affordable cost. For example, Aliant's hosted applications like Managed Collaboration Services using Microsoft Exchange,™ give our customers access to expensive enterprise software at rates affordable to any size business.

Meet a modern day artisan, Renée O'Brien, segment manager, small business. Renée and others like her are designing, building and marketing the advanced technology that allows Atlantic Canadians to communicate, learn and do business from anywhere, at anytime.

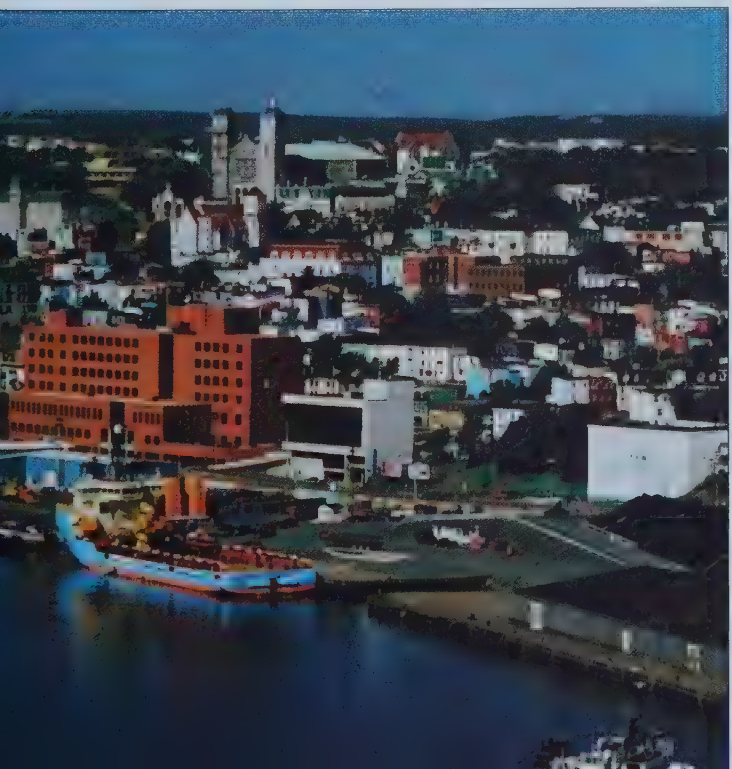
Visit the Innovatia eLearning Web site at www.elearning.innovatia.net

Background photograph: St. John's, Newfoundland and Labrador

ADVANCED SOLUTIONS

Whether it is building, hosting and maintaining a business portal such as Charlottetown's Town Square community online service, providing an eStore solution that allows businesses to market and sell their products and services online, or a combination of our extensive suite of eBusiness products and services – our offerings are tailored to fit the needs of Atlantic Canadian businesses. While many competitors can offer components of a complete solution, Aliant is uniquely positioned to provide end-to-end, total solutions.

Our Aliant Export sales team leverages our deep background in systems-critical managed network technology and contact centre managed solutions, and sells them to the global market through a business strategy we call Total One™ Managed Solutions. This market strategy is executed through enterprise sales as well as through the establishment of channel partnerships that either private label or resell these solutions on Aliant's behalf. One of the major components of this strategy is attracting customer care centres to Atlantic Canada. We have brought over 100 such centres to the region, including Xerox, UPS, and Unilever. Also, in keeping with Aliant's tradition of excellence in the development of pacesetting technologies, we are able to offer customers a single IP-manageable gateway to deliver both their voice and data needs over the same network. Aliant currently manages networks for over 130 customers all over the world.



Whether it is building, hosting and maintaining a business portal, providing an eStore solution or a combination of our extensive suite of eBusiness products and services – our offerings are tailored to fit the needs of Atlantic Canadian business.

We complement our industry-leading telecommunications business with strengths in knowledge management applications. Through Innovatia's knowledge services, we provide the telecommunications industry with made-in-Atlantic Canada eLearning, technical documentation, TeleWeb sales channel, and pre- and post-sales technical support for customer product inquiry, maintenance and training needs.

As a Nortel Networks™ Premier Education Partner, Innovatia has transitioned one of the largest telecommunications training portfolios, Digital Multiplex System (DMS), into a Web-based medium that provides thousands of learners, through North American service providers, with convenient access to quality training options. The business relationship with Nortel Networks was reaffirmed in 2002, with the extension of an original five-year contract for the DMS portfolio to 2007.

Innovatia's strengths in this field were confirmed in late 2002 when the company signed an additional contract with Telcordia Technologies, the largest objective provider of classroom-based telecommunications training courses.

In 2002, Innovatia's multi-lingual and multi-channel customer contact centre expanded its service offering of pre- and post-sales technical support for Nortel Networks enterprise products with the addition of a second partner, MarketBridge. Together, Innovatia and MarketBridge have created, staffed, and deployed a new TeleWeb sales organization for StorageTek, a storage services and solutions expert.

At Aliant, we're rewriting the rules on customer service. We're transforming the world of learning. We're spanning traditional geographic boundaries with invisible electronic bridges. We're applying our experience and our strengths to prepare for the information age of tomorrow.

Supporters of caring communities

Atlantic Canada is our home. Our customers are our neighbours, our friends, and our families. At Aliant we embrace the opportunity to give back to the communities in which we live and work. In 2002 Aliant gave more than $4 million to communities across the region, through a combination of donations, sponsorships, volunteering and in-kind contributions.

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We contribute to numerous health organizations and programs each year, including the IWK Child Safety Link campaign across the Maritimes, the Prince County Hospital Foundation in Summerside, the Dr. Georges L. Dumont Hospital in Moncton, the Janeway Children's Hospital Teddy Bear Bash in Newfoundland and Labrador, and the Canadian Blood Services Employee Holiday Blood Drive across Atlantic Canada.

At Aliant, we appreciate the importance of education, and work to foster an environment in our region that promotes learning, knowledge and talent. Through our involvement in organizations like Junior Achievement, Economics of Staying in School Program, BayBytes Rural Technology Grant and many more, we are investing in the education of our extraordinary young people and in the future of Atlantic Canada.

Perhaps the characteristic Atlantic Canadians are most known for is that we live life enthusiastically and embrace the diversity of rich culture across our four provinces. From the many regional artistic, theatre and dance companies such as the Atlantic Ballet Theatre of Canada and Nova Scotia's Mermaid Theatre to community festivals like Franco Fête Dieppe and the Festival of Lights in Charlottetown, to large-scale sporting events like the American Hockey League All-Star Game, Aliant supports the cultural and sporting activities that enrich and entertain our communities.

We're also involved with the events that showcase our strengths to the world, and help to make our region a destination of choice for travellers and businesses. Whether it's the World Junior Hockey Championships in Halifax, the 2003 Canada Winter Games in Bathurst-Campbellton, the 2002 Volvo World Youth Sailing Championships in Lunenburg, the Karcher Canadian Junior Men's and Women's Curling Championships in Charlottetown, or the ITU World Cup Triathlon in Corner Brook, we support events recognized across Canada and the world.

Aliant is also committed to helping our communities improve the well-being of our region's children through support and volunteerism to programs that touch their daily lives. The Anti-Bully and Kids Count Programs, aimed at reducing violence and bullying in our schools; the Bell Walk for Kids supporting the Kids Help Phone; the Christmas Daddies and Easter Seals telethons and the Real Program which helps underprivileged children participate in sporting and cultural activities, are all aimed at giving our children the additional support they need to grow into individuals who will contribute to our region and further advance its prosperity.

Our communities and children also benefit from a clean and healthy environment. At Aliant we support the growth and protection of green spaces through our contribution to organizations like the Sackville River Association and Whidden and Eleanor Ganong Nature Park.

When it comes to care and volunteerism, we are most proud of our Aliant Pioneer Volunteers, an organization representing almost 8,000 employees and retirees. In 2002, they contributed more than 165,000 volunteer hours in

virtually every community across the region. The initiatives they spearhead have a strong and positive impact on those who need help most. They put technology to work in schools with the Computers for Schools program; craft Heart Pillows for post-operative cardiac patients; create and distribute Hug-A-Bears to police, fire and ambulance personnel who assist in calming children faced with tragic and traumatic situations; and present the A Book About ME program to primary and grade one school children all over the region to encourage a focus on reading and positive self image.

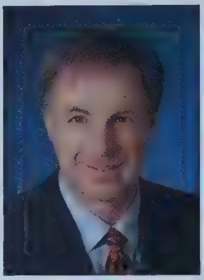
During Environment Week this year, Aliant Pioneer Volunteers will lead an Atlantic Canadian neighbourhood garbage clean-up across our region, challenging, inspiring and engaging many more volunteers than themselves to become involved and to make a difference. Whether it is the well-being of our children and schools or the environment we all inhabit, the Aliant Pioneer Volunteers ignite and harness the volunteer energy of thousands in our region. They are a tireless army of community minded individuals who are working vigilantly and helping Aliant support and care for our communities, and for that, we are grateful.

Being a member of the community means helping out where you can. Connie Frenette, eService strategic planner, is a member of the Aliant Pioneer Volunteers along with nearly 8,000 other employees and retirees. Each year the Pioneers undertake countless volunteer projects, among them the crafting of heart pillows for post-operative cardiac patients.

Background photograph: Bathurst, New Brunswick

Representing shareholders

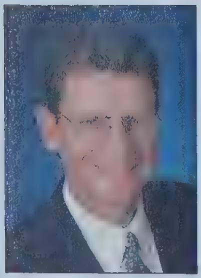
William Anderson, 53, is president of BCE Ventures Inc. He is a director of CGI Group Inc., Bell Canada International Inc., BCE Emergis Inc., and TransAlta Corporation. (4) (5) (6)



Robert Dexter, QC, 51, is chairman and CEO of Maritime Travel Inc. and a partner with the law firm Stewart McKelvey Stirling Scales. He is a director of CorporaTel, Empire Company Limited, The Maritime Life Assurance Company, High Liner Foods Inc., Sobeys Inc., and Wajax Limited. (1) (4)

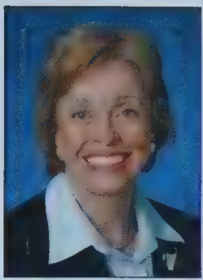
Miller Ayre, C.M., 61, is publisher of The Telegram in St. John's, Newfoundland and Labrador. He is a director of Mansbord Incorporated, the Institute for Research on Public Policy, and the Canadian Labour and Business Centre. (1) (2)

Jay Forbes, 42, is president and CEO of Aliant Inc. He is a director of Stratos Global Corporation, Atlantic Provinces Economic Council, Dalhousie School of Business, and Saint John Regional Hospital Foundation.



Charles Caty, 62, is chairman of NAL Energy Inc., vice chairman of Market Regulatory Services Inc. and a director of CGU Group Canada Ltd. He is a past president and CEO of the Investment Dealers Association of Canada and a past chairman of the Toronto Stock Exchange. (3) (4)

Peter Nicholson, 60, is Special Advisor to the Secretary General, Organization of Economic Co-operation & Development in Paris. He is a director of Stelco Inc., C.D. Howe Institute, The Council for Canadian Unity, and Atlantic Institute for Market Studies. (2)



Dr. Margot Northey, 63, is a director of Wawanesa Insurance Company, Laurentian Bank of Canada, B2B Trust, Nexfor Inc., Alliance Atlantis Communications, and Stressgen Biotechnologies. She is the former Dean of Queen's University School of Business. [3]

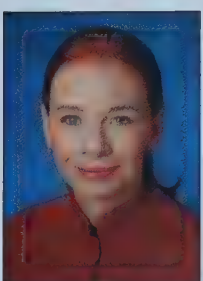
Stephen Wetmore, 50, is vice chair corporate of Bell Canada and executive vice president of Bell Canada Enterprises. He is a director of Bell Canada, Stratos Global Corporation, The Shaw Group and a member of the board of Dalhousie University's Business School. [3]

Edward Reevey, 59, is chairman and CEO of Addee Developments Limited and Eedda Capital Inc., private holding companies. He is a director of the Greater Saint John Community Foundation. [1] [5] [6]

Charles White, QC, 56, is chairman of the board of Aliant Inc. and a partner with the law firm White, Ottenheimer & Baker. He is chair and trustee of BMO Mutual Funds and director of Unifund Assurance Company, North Atlantic Refining Limited, and Atlantic Provinces Economic Council. As chairman he is an ex-officio member of all corporate committees.

John Sheridan, 48, is president and chief operating officer of Bell Canada. He is a director of Bell Canada, Manitoba Telecom Services Inc., Ballard Power Systems Inc., and the Conference Board of Canada. [4]

Victor Young, O.C., 57, is a director of Imperial Oil, Royal Bank of Canada, McCain Foods Limited, and Bell Canada Enterprises. [2] [3]



Catherine Tait, 45, is president of Duopoly, an entertainment company. She is a director of Triptych Media and the Independent Feature Project/New York. [1] [2]

Committees:

(1) Audit
(2) Corporate governance
(3) Human resources and compensation
(4) Investment
(5) Defined benefit pension investment
(6) Defined contribution pension investment

Team leaders

Jay Forbes, 42, was appointed president and CEO in March 2002. He joined Aliant as executive vice president and chief financial officer in February 2001. Mr. Forbes is a member of several business and professional organizations including the Canadian Institute of Chartered Accountants and the Canada Council of Chief Executives.

Frank Fagan, 59, is executive vice president and chief operating officer. He is responsible for providing operational leadership to our telecommunications business. A senior telecommunications professional, Mr. Fagan has worked in the industry since 1962, and has served in a variety of senior management and executive positions. He is president of the TelecomPioneers – the largest corporate volunteer organization in the world.

Barry Kydd, 53, is executive vice president and chief financial officer. He is responsible for purchasing and real estate support, capital management and reporting, treasury, corporate finance and financial reporting and management services. Mr. Kydd is a Chartered Accountant (England and Wales) with extensive international financial management experience.

David Rathbun, 46, is senior vice president, corporate & chief human resources officer. He is responsible for Aliant's human resources, corporate development, and communications and public affairs functions. Mr. Rathbun leads the human resource strategy within Aliant, which includes organizational change and development, recruiting and retention, learning and knowledge management, and compensation.

Robert Neal, 48, is senior vice president, business development, responsible for advancing Aliant's growth by identifying new opportunities and business potential. A senior telecommunications professional, Mr. Neal has worked in the industry for more than twenty years and has held a variety of senior management and executive positions.

Wendy Paquette, 52, is senior vice president, customer service. She is responsible for all aspects of customer service, including customer care centres and outside field forces throughout Atlantic Canada. Since joining the company in 1990, Ms. Paquette has held a number of roles including president of MTT and vice president, major customers.

Results in detail

FINANCIAL INFORMATION

Kendall MacPhee
Investor relations assistant

MD&A

This document contains statements and information about potential future circumstances and developments. Such statements and information are qualified by any of the inherent risks and uncertainties surrounding future expectations generally and may differ materially from the actual future experience of Aliant Inc. ("Aliant" or "the Company"). Aliant disclaims any intention or obligation to update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.

The Company has referenced some terms that are not measures of financial performance under Canadian generally accepted accounting principles to provide readers additional measures of the Company's financial performance including: EBITDA, EBITDA (before restructuring charge), net income applicable to common shares (before restructuring charge), earnings per common share (before restructuring charge), free cash flow from operations, interest coverage ratio on long-term debt, net income applicable to common shares adjusted for changes in accounting policies, earnings per common share adjusted for changes in accounting policies, EBITDA excluding the impact of the contribution decision, and net income excluding the impact of the contribution decision. These terms do not have any standardized meaning prescribed by Canadian generally accepted accounting principles and are therefore not necessarily comparable to similarly titled measures used by other companies.

OVERVIEW OF ALIANT'S OPERATIONS

Aliant Inc. ("Aliant" or "the Company") is a world recognized leader in communications, focused primarily in Atlantic Canada. Aliant was formed in 1999, the result of the merger of the four Atlantic Canadian telecommunications and technology companies and the first four-way merger in North American history. Today, Aliant develops and markets pacesetting telecommunications technologies for its consumer and business customers. This industry leading telecommunications business is complemented with strengths in developing information technology and knowledge management applications. Aliant strives for the highest quality of customer service and places value on innovative capabilities that drive growth in existing and new markets.

Throughout 2002 Aliant was comprised of four core lines of business: telecommunications, information technology, remote communications and emerging businesses.

The telecommunications line of business is carried out by Aliant Telecom Inc. ("Aliant Telecom"). Measured by revenues, Aliant Telecom is Canada's third largest full-service telecommunications business. Aliant Telecom provides a full range of voice and data communications services including local, long distance, data, Internet and other wireline and wireless services. This line of business also includes the results of 87.1 per cent owned Aliant ActiMedia (a joint venture), a telephone directory advertising business operating in Atlantic Canada. Effective January 1, 2003, Innovatia Inc. (formerly included in the emerging businesses line of business) will fall under the telecommunications line of business for operating and reporting purposes. This closer connection will allow Aliant Telecom to leverage Innovatia's knowledge management expertise and to provide Innovatia with greater operational support.

The information technology line of business is carried out through Xwave Solutions Inc. ("xwave"). xwave is an established Canadian information technology (IT) services and fulfillment company with offices in Canada, the United States and Europe. xwave is the second largest Canadian-owned information technology services company in Canada, based on gross revenues.

Aliant's investment in the remote communications business is a 53.2 per cent ownership position in Stratos Global Corporation ("Stratos"). Stratos is a public company (TSX:SGB) offering mobile and fixed remote communications solutions to a global customer base through a combination of its own satellite and microwave telecommunications facilities and the

distribution of services of other network operators.

The emerging businesses segment is a group of companies under the ownership of Aliant Horizons Inc. ("Aliant Horizons"). This group's primary operations are through Innovatia Inc. ("Innovatia"), Prexar LLC ("Prexar") and AMI Offshore Inc. ("AMI"). Innovatia (100 per cent owned by Aliant Horizons) is focused on providing eLearning excellence to the telecommunications sector. Prexar (100 per cent owned by Aliant Horizons) is an Internet services provider based in Bangor, Maine and servicing the northern New England States. AMI (57.4 per cent owned by Aliant Horizons) provides process and systems control technical services, and contract manufacturing solutions to the offshore oil and gas and other industries. The emerging business segment also includes a minority interest in iMagicTV Inc. ("iMagicTV"), which Aliant accounts for by the equity method. During 2003, Aliant intends to divest of all emerging businesses with the exception of Innovatia. As stated above, effective January 1, 2003 Innovatia has been integrated into the telecommunications line of business and as such, the Company will cease reporting an emerging business segment during 2003.

ORGANIZATION

The organization chart below shows the Company's four core lines of business in 2002, the main corporate entities carrying out those operations, as well as some other corporate investments.

ALIANT INC. CONSOLIDATED OPERATING RESULTS

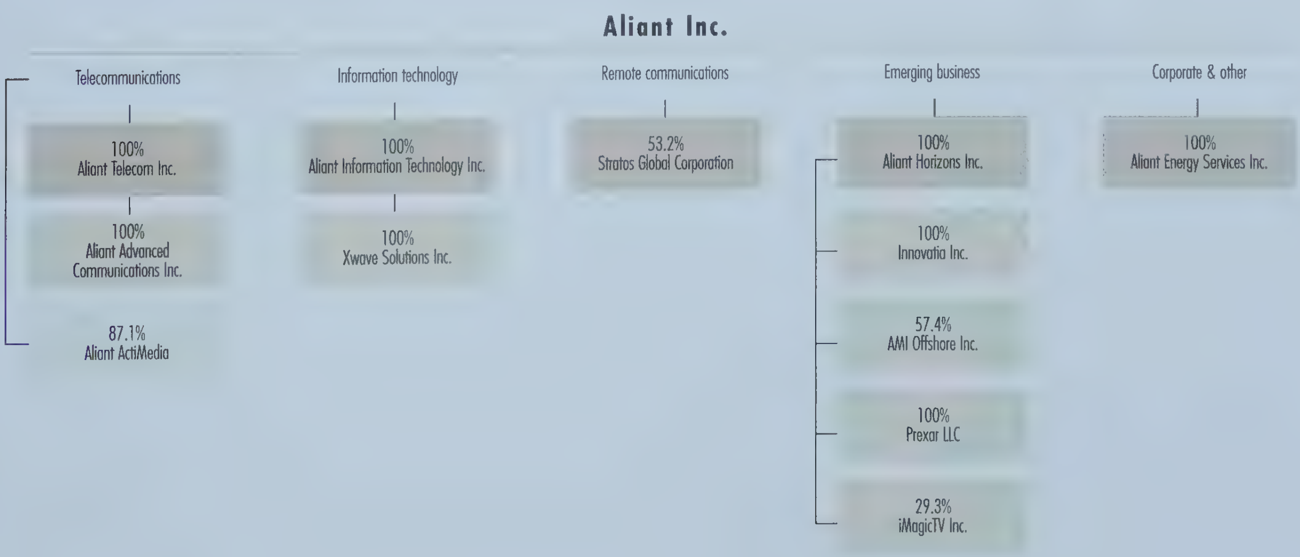
Aliant earned consolidated operating revenues of $2.6 billion in 2002, growing 1.1 per cent from 2001. Earnings before interest, taxes, depreciation and amortization (EBITDA[2]) before the restructuring charge decreased by 3.6 per cent to $941.6 million. The EBITDA margin (EBITDA as a percentage of operating revenues) decreased to 35.8 per cent in 2002 from 37.6 per cent in 2001 (before restructuring charge). Consolidated net income applicable to common shares was $168.0 million, or $1.21 per share in 2002 compared with $160.5 million and $1.18 per share for 2001 (before restructuring charge).

Operating revenues

Year over year operating revenue growth of $28.8 million was largely due to a $62.3 million increase in remote communications revenue derived from strong activity in Stratos' mobile satellite business and a $25.2 million increase in information technology due to significant growth in fulfillment revenues. This revenue growth was offset by a $61.7 million decline in telecommunications revenue, arising from a $112.7 million impact of the Canadian Radio-television and Telecommunications Commission ("CRTC") contribution decision on local revenues, this decision is further described under the "Telecommunications" section. This negative impact was partially offset by combined growth in wireless and Internet revenue of $44.0 million. Emerging business experienced declines in revenue of $30.7 million, largely due to the sale of K&D Pratt Limited and ASCO Canada in the prior year, formerly part of AMI.

EBITDA

EBITDA (before restructuring charge) decreased $35.4 million from 2001. Although Stratos experienced healthy EBITDA growth of 10.0 per cent, telecommunications EBITDA (before restructuring) decreased 2.0 per cent or $17.7 million due to the impact of CRTC rulings in the current year, as noted above. Information technology EBITDA decreased $30.4 million as a result of higher operating expenses relating to increased fulfillment revenues and a $12.2 million charge for the revaluation



of assets. This revaluation charge was a reflection of the slower than anticipated recovery of the IT industry.

Restructuring charge

In the fourth quarter of 2001, Aliant recorded a $111.2 million restructuring charge comprised primarily of staff severance costs and the cost of consolidating various activities into one operating unit.

Depreciation and amortization

Depreciation and amortization expense for 2002 increased 1.4 per cent or $6.2 million, including $4.1 million taken in emerging business to reflect the fair market value of the Prexar assets.

Other income (expense)

Other income (expense) improved from an expense of $16.8 million in 2001 to income of $3.7 million in 2002. Other income includes gains and losses on sales of assets and investments and Aliant's share of earnings and losses in equity-accounted investments. In 2002, other income (expense) consisted of a Stratos dilution gain of $32.5 million, write-downs of investments in the amount of $29.4 million, Aliant's share in losses of equity investments of $5.0 million, interest earned by Aliant Telecom on an investment tax credit of $5.0 million and other income of $0.6 million. In 2001 other income (expense) consisted of $9.5 million in costs incurred by Stratos in integrating the operations of British Telecommunications plc's Aeronautical and Marine Division, Aliant's share in losses of equity investments of $6.2 million and other expenses of $1.1 million.

Write-down of goodwill

In the fourth quarter of 2002, Aliant recorded a $50.0 million write-down of goodwill, $25.0 million of this charge is recorded by xwave. This write-down was determined to be appropriate in light of current market conditions, the

Consolidated statements of income

(thousands of dollars except per share amounts)	**2002**	2001 *(restated)*[1]	$ change	% change
Operating revenues	**$ 2,630,353**	$ 2,601,566	$ 28,787	1.1
Cost of operating revenues	**735,035**	710,639	24,396	3.4
Net operating revenues	**1,895,318**	1,890,927	4,391	0.2
Operating expenses	**953,697**	913,890	39,807	4.4
EBITDA (before restructuring charge)[2]	**941,621**	977,037	(35,416)	(3.6)
Restructuring charge	**—**	111,237	(111,237)	(100.0)
EBITDA[2]	**941,621**	865,800	75,821	8.8
Depreciation and amortization	**441,151**	434,952	6,199	1.4
Operating income	**500,470**	430,848	69,622	16.2
Other income (expense)	**3,692**	(16,821)	20,513	121.9
Write-down of goodwill	**50,000**	—	50,000	—
Gain (loss) on foreign exchange	**23,944**	(30,938)	54,882	177.4
Interest expense	**126,687**	157,489	(30,802)	(19.6)
Income tax expense	**148,901**	146,039	2,862	2.0
Non-controlling interest expense (recovery)	**24,942**	(24,539)	49,481	201.6
Net income	**177,576**	104,100	73,476	70.6
Preferred share dividends	**9,538**	6,619	2,919	44.1
Net income applicable to common shares	**$ 168,038**	$ 97,481	$ 70,557	72.4
Restructuring charge (net of tax)	**—**	62,969	(62,969)	(100.0)
Net income applicable to common shares (before restructuring charge)[3]	**$ 168,038**	$ 160,450	$ 7,588	4.7
Earnings per common share	**$ 1.21**	$ 0.72	$ 0.49	68.1
Earnings per common share (before restructuring charge)[3]	**$ 1.21**	$ 1.18	$ 0.03	2.5

1 As required under the new Canadian Institute of Chartered Accountants (CICA) standard for foreign currency translation, results for 2001 have been restated. All exchange gains and losses arising from the translation of foreign currency monetary items have been included in income. Previously, unrealized foreign exchange gains or losses in relation to long-term debt balances were deferred and amortized over the remaining term of the related debt. See note 1 to the Company's audited annual consolidated financial statements for more detailed information.

2 EBITDA is defined by the Company as operating income plus depreciation and amortization expense. EBITDA, EBITDA (before restructuring charge) and EBITDA excluding the impact of the contribution decision are not measures of financial performance under Canadian generally accepted accounting principles and are not necessarily comparable to similarly titled measures used by other companies. The Company has included information concerning EBITDA because it believes that it is used by certain investors as one measure of the Company's financial performance. EBITDA should not be construed as an alternative to operating income or to cash flows from operating activities (as determined in accordance with Canadian generally accepted accounting principles) as a measure of liquidity.

3 Net income applicable to common shares (before restructuring charge) and earnings per common share (before restructuring charge) are not measures of financial performance under Canadian generally accepted accounting principles. These measures have been presented here to improve the comparability of financial results between periods. These are not necessarily comparable to similarly titled measures used by other companies.

weak performance of xwave in recent months and to be consistent with our conservative accounting practices.

Gain (loss) on foreign exchange

The majority of the $54.9 million change is the impact of the change in translation method used after July 1, 2002 when Stratos became a self-sustaining operation. This is further described in the "Accounting policy changes" section.

Interest expense

Consolidated interest expense decreased 19.6 per cent from $157.5 million in 2001 to $126.7 million in 2002. This decrease is due to lower interest rates and reduced borrowings across all lines of business, particularly remote communications.

Interest expense in the telecommunications line of business was reduced by $10.1 million during 2002, due to declining interest rates and reduced average borrowings. Aliant Telecom has been able to reduce its interest costs by increased focus on working capital management, lowering its average debt position and taking advantage of refinancing maturing long-term debt issues at lower interest rates in recent years. Also, the significantly higher level of free cash flow from operations[4] that Aliant Telecom has been generating has enabled Aliant to maintain a positive cash balance from operations throughout 2002 rather than utilize its short-term borrowing facilities.

An $18.3 million reduction in interest expense in the remote communications line of business is primarily attributable to the repayment of debt by Stratos after completion of a $148.8 million equity offering in May 2002. Stratos is also benefiting from lower interest costs under the terms of its credit facilities.

Aliant's consolidated interest coverage ratio[5] for the twelve-month periods ended December 31, 2002 and December 31, 2001 (before restructuring charge) were 4.3 times and 3.1 times, respectively. The higher coverage is a result of growth in operating income combined with lower consolidated interest expense.

Income taxes

Aliant's consolidated income tax provision increased by only 2.0 per cent to $148.9 million from $146.0 million in the prior year. A number of factors, including a reduction in statutory tax rates, contributed to the significant reduction in Aliant's 2002 effective tax rate of 42.4 per cent over the 2001 rate of 64.7 per cent. These include a 2002 tax provision reduction of $6.8 million that resulted from the recognition of tax benefits relating to a portion of the tax loss carryforward of one of its subsidiaries and recognition in 2002 of a $23.9 million non-taxable Stratos related foreign exchange gain.

The Aliant group of companies has a total of approximately $193.5 million in tax losses available to offset taxable income of prior or future years, of which the tax benefit of $102.8 million has been recognized as part of the future tax asset. Management expects that most of these losses will be utilized through normal operations or by taking appropriate tax-planning measures.

Non-controlling interest

Aliant's non-controlling interest position changed by $49.5 million from a sharing of $24.5 million of losses in the prior year to a sharing of $24.9 million of profits in 2002. Virtually all of this change is attributable to the change in Aliant's percentage ownership of Stratos and the improvement in Stratos' results.

Net income

Consolidated net income applicable to common shares was $168.0 million, or $1.21 per share, which represents an increase of $7.6 million, or $0.03 per share, over 2001 (before restructuring charge).

ACCOUNTING POLICY CHANGES

Goodwill

Previously, goodwill was amortized on a straight-line basis over the estimated life of ten to twenty years. Under a new CICA accounting standard, goodwill and intangibles with an indefinite life are no longer amortized. Entities performed an impairment test as of January 1, 2002 to ascertain whether they should recognize a decline in the carrying value of recorded goodwill and intangibles with indefinite life. An impairment provision of $8.6 million was recognized as a result of the adoption of this new standard and was charged to opening retained earnings. Under the new standard, an impairment test must be performed annually and any subsequent impairment provisions deemed necessary by management will be charged to income at that date.

4 Free cash flow from operations is defined as cash and cash equivalents from (used in) operations, less capital expenditures. Free cash flow from operations is not a measure of financial performance under Canadian generally accepted accounting principles and is not necessarily comparable to similarly titled measures used by other companies. The Company has included information concerning free cash flow from operations because it believes that it is used by certain investors as one measure of the Company's financial performance.

5 The interest coverage ratio on long-term debt is calculated as operating income plus other income divided by total interest charges. The interest coverage ratio is not a measure of financial performance under Canadian generally accepted accounting principles and is not necessarily comparable to similarly titled measures used by other companies. The Company has included information concerning interest coverage because it believes that it is used by certain investors as one measure of the Company's financial performance.

Subsequently, the Company has not recorded any charge relating to the amortization of goodwill in 2002, consistent with this new standard. During 2001, the Company recorded $31.8 million in depreciation and amortization expense relating to the amortization of goodwill.

Foreign currency translation

Effective July 1, 2002, the economic facts and circumstances surrounding the Company's foreign operations changed such that operations that were previously classified as integrated are now reported as self-sustaining. As a result, the translation method used has changed from the temporal to the current rate method.

Exchange gains and losses arising from the translation of foreign currency items were previously recorded in income under the temporal method. Under the current rate method, assets and liabilities of the Company's self-sustaining foreign operations are translated using the current rate method at exchange rates prevailing at the balance sheet date, which was US$1.00=Canadian$1.58 at December 31, 2002 (US$1.00=Canadian$1.59 at December 31, 2001). Resulting unrealized gains or losses are deferred and included in shareholders' equity as a cumulative translation adjustment. The change in the cumulative translation adjustment account reflects changes due to fluctuations in exchange rates during the period. Revenues and expenses are translated at the average exchange rate prevailing during the period.

Stock-based compensation

The Company has a stock-based compensation plan for executives and certain senior managers, which is described in note 17 to the Company's audited financial statements. No compensation expense is recognized when stock options are issued. Consideration paid on exercise of stock options is credited to share capital. Compensation expense is recognized for the Company's contributions to the Employee Stock Savings Plan.

A subsidiary of the Company has a stock-based compensation plan specific to its own shares. A participant in this plan may elect to cash settle the options in lieu of exercising them. The company records a liability and compensation expense in connection with these awards based on their intrinsic value at the date of grant. Subsequent changes in the amount of the liability due to stock price changes are recorded as compensation expense.

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

Aliant's free cash flow from operations increased $295.4 million from a negative $62.3 million in 2001 to $233.1 million in 2002. Management's focus on working capital balances and a prudent capital spending program have been key contributing factors.

Investing activities

Aliant's consolidated capital expenditures for 2002 were $415.0 million. This represents a 10.9 per cent decrease over last year. Telecommunications capital spending declined due to the significant investment in the wireless and broadband footprint in prior years that did not need to be repeated. Stratos' capital spending increased 62.4 per cent largely in support of investment required for the United States Navy contract, won in December 2001. Emerging business capital spending declined as 2001 included significant investment in eLearning content development. Information technology capital spending declined by 46.5 per cent in response to the downturn in the IT industry.

Impact of accounting changes on financial results

(thousands of dollars except per share amounts)	**2002**	2001 (restated)[1]	$ change	% change
Net income	**$ 177,576**	$ 104,100	$ 73,476	70.6
Preferred share dividends	**9,538**	6,619	2,919	44.1
Net income applicable to common shares	**168,038**	97,481	70,557	72.4
Goodwill amortization	**—**	25,383	(25,383)	(100.0)
After tax foreign exchange (gain) loss	**(12,748)**	16,828	(29,576)	(175.8)
Net income applicable to common shares (adjusted for changes in accounting policies)[6]	**$ 155,290**	$ 139,692	$ 15,598	11.2
Earnings per common share	**$ 1.21**	$ 0.72	$ 0.49	68.1
Earnings per common share (adjusted for changes in accounting policies)[6]	**$ 1.12**	$ 1.03	$ 0.09	8.5

6 Net income applicable to common shares (adjusted for changes in accounting policies) and earnings per common share (adjusted for changes in accounting policies) are not measures of financial performance under Canadian generally accepted accounting principles. They have been presented here to improve the comparability of financial results between periods. This is not necessarily comparable to similarly titled measures used by other companies.

Financing activities

Telecommunications

The primary external source of financing for Aliant Telecom's operations has been long-term debt issued to the public. For the foreseeable future, however, Aliant Telecom will obtain its short-term debt and common equity financing from Aliant. In April 2001, Aliant Telecom filed a renewal shelf prospectus for the issue of $350.0 million of Medium Term Notes (MTNs) in the Canadian market. On January 15, 2002 Aliant Telecom issued $100.0 million of 5-year notes bearing interest at 5.35 per cent under this prospectus. This financing fulfilled Aliant Telecom's borrowing needs for the year 2002 and was completed early in the year to take advantage of favourable access to debt markets and low interest rates. The proceeds were used to retire Aliant Telecom's maturing long-term debt and to fund the year's capital expenditure program as necessary. Aliant Telecom repaid $50 million in maturing long-term debt in June 2002 and an additional $5 million in October of 2002. The MTN shelf prospectus will expire in May 2003, but it is anticipated that a renewed prospectus will refresh this facility for future financing needs.

During the year, Aliant Telecom repurchased $15.0 million of accounts receivable under its securitization program.

During 2003, a $65 million debenture issue will mature and an additional $7.5 million in first mortgage bonds will become callable.

Information technology

The primary sources of financing for xwave are debt and equity investments from Aliant and bank credit facilities. xwave has in place operating lines of credit totaling $51.0 million and acquisition facilities of $24.0 million with a syndicate of Canadian chartered banks. Amounts outstanding on these lines as at December 31, 2002 are $46.0 million ($38.7 million in loans and $7.3 million in letters of credit) and $nil respectively.

Remote communications

Stratos obtains its debt financing through bank facilities and its common equity financing through the public issue of shares that trade on the Toronto Stock Exchange.

During the year, US$97 million of debt was repaid on the bridge loan facility put in place to finance the British Telecommunications plc's Aeronautical and Marine Division acquisition. Most of this repayment was financed through the issuance of $148.8 million in common equity in May 2002. In addition, US$15.0 million of term debt was repaid.

As a result of Stratos reducing its bridge facility, the amount guaranteed by Aliant has reduced from US$150 million at 2001 year end to US$28.0 million at 2002 year end. In March and December of 2002, Stratos and its banking syndicate agreed to amendments to certain terms under the credit facilities that will allow for a further extension of Stratos' bridge loan facility to July 2004, a modification to some of the financial covenants and a reduction of the interest rates payable on advances under the facilities.

Corporate financing

Aliant issued $58.2 million in common equity during the year by way of its common shareholder dividend reinvestment plan and stock purchase plan, employees' stock savings plan, and the exercise of options under its employee stock option plan. Shares were purchased on the open market in the third and fourth quarters to fulfill the requirements of the Company's employees' stock savings plan.

On July 18, 2002, Aliant announced acceptance by the Toronto Stock Exchange of notice of intention to purchase, pursuant to the normal course issuer bid (NCIB), from time to time up to 1,600,000 of its outstanding common shares on the Toronto Stock Exchange, representing approximately 1.1 per cent of the issued and outstanding common shares of Aliant as of that date, being 139,567,382 common shares. Under the NCIB, the Company would acquire, from time to time, its common shares at the market price from cash through the facilities of the Toronto Stock Exchange. Purchases of common

Capital expenditures

(thousands of dollars)	**2002**	2001	$ change	% change
Telecommunications	**$ 362,527**	$ 392,957	$ (30,430)	(7.7)
Information technology	**6,125**	11,444	(5,319)	(46.5)
Remote communications	**36,970**	22,767	14,203	62.4
Emerging business	**7,984**	35,283	(27,299)	(77.4)
Other	**1,359**	3,191	(1,832)	(57.4)
Total capital expenditures	**$ 414,965**	$ 465,642	$ (50,677)	(10.9)

shares may be made during the 12-month period commencing July 22, 2002 and ending on July 21, 2003. Aliant has purchased and cancelled 264,300 common shares to December 31, 2002 for an aggregate price of $7.2 million.

Total dividends paid by Aliant to its common shareholders in 2002 rose from 2001 levels due to the increased average number of shares outstanding and the dividend increase announced early in the third quarter of this year. Based on Aliant's demonstrated financial strength, its Board approved an increase in the quarterly dividend of 2.5 cents per common share in the third quarter of 2002, effectively raising the annual dividend to $1.00 per common share.

Aliant paid preferred shareholders dividends of $9.5 million in the current year compared to $6.6 million in 2001. This increase is a result of the shares being outstanding for a full year. The preferred shares were originally issued in April of 2001.

Aliant had no commercial paper outstanding at December 31, 2002, compared with $4.9 million at December 31, 2001. Free cash flow from operations, external financing sources and common share proceeds were sufficient for debt repayment, dividends and investing needs and contributed to Aliant's cash reserves. Aliant had $263.6 million in cash and short-term investments at the end of 2002, up from $131.6 million at the end of 2001. Aliant maintains lines of credit totaling $535 million in aggregate with its bankers of which $300 million is a committed facility supporting the Company's commercial paper program and $125 million is a committed bank line held in reserve in support of the guarantee of Stratos' debt. The other $110 million is a total of Aliant's uncommitted operating lines.

Capital structure

The percentage of debt to total capital is 45.3 per cent at December 31, 2002 compared to 50.4 per cent at December 31, 2001. This significant strengthening is due to the change in non-controlling interest, the increase in common equity and the reduction in debt held by Stratos, related to its common share issue.

It is anticipated that Aliant will continue to generate sufficient free cash flow from operations to provide for dividend payments, as and when such dividends are declared, and to fund a portion of capital investments. Also, Aliant has sufficient capacity in its existing and available financing facilities to provide liquidity for existing operations and planned future growth.

Aliant's and Aliant Telecom's solid financial position and stable outlook were affirmed, as indicated in the chart below, by ratings from Dominion Bond Rating Service (DBRS) and Standard & Poor's (S&P).

FUTURE CHANGES IN ACCOUNTING POLICIES & MANAGEMENT ESTIMATES

Stock-based compensation

The accounting standard issued by the CICA on stock-based compensation late in 2001 encouraged but did not require the use of fair-value based method to account for stock-based awards, other than direct award of stock, stock appreciation rights and similar awards with a cash settlement feature. Companies not following the fair-value method are required to disclose pro-forma net income and earnings

Consolidated capital structure

(thousands of dollars)	**December 31, 2002**		December 31, 2001	
Common equity	**$ 1,498,311**	**44.5**	$ 1,410,715	42.6
Preferred equity	**172,264**	**5.1**	172,264	5.2
Non-controlling interest	**170,856**	**5.1**	61,029	1.8
Long-term debt (including current portion)	**1,408,600**	**41.8**	1,545,529	46.7
Short-term debt, including bank indebtedness and interest payable	**117,563**	**3.5**	120,778	3.7
	$ 3,367,594	**100.0**	$ 3,310,315	100.0

Debt ratings

Debt	DBRS	S&P
Aliant Telecom first mortgage bonds	A stable	A+ stable
Aliant Telecom debentures and MTNs	A stable	A stable
Aliant commercial paper	R-1 (low) stable	A-1 stable
Aliant corporate credit rating	A (low) stable	A stable

per common share information as if compensation expense was measured using a fair-value based method.

Compensation expense under the fair-value based method is measured at the grant date and recognized over the vesting period. The fair value of a stock option is determined using an option pricing model that takes into account, as of the grant date, the exercise price, the expected life of the option, the current price of the underlying stock, its expected volatility, its expected dividend yield and the risk-free interest rate over the expected life of the option.

In recognition of the merits of including stock options as a part of compensation expense, Aliant will begin expensing stock based awards issued to employees associated with its stock option plans effective January 1, 2003 using the fair-value approach. Previously, this cost was estimated and disclosed in the notes to the financial statements but was not recognized as an expense in the financial statements. This accounting change is expected to have a $2.0 million negative impact on net income in 2003 relative to 2002.

Pension assumptions

In light of recent economic conditions, the matter of pension accounting and the underlying assumptions associated with determining pension expense has gained increasing significance. During 2002, the Company completed a thorough review of all the assumptions related to defined benefit pension plans, based on current and future projected market conditions. As a result, effective January 1, 2003, Aliant will reduce the assumed rate of return on pension assets from 9.0 per cent to 7.5 per cent and lower the discount rate used to calculate the pension liabilities from 7 per cent to 6.75 per cent. The expected combined additional cost of these rate changes on 2003 relative to 2002 is approximately $37.0 million.

CONSOLIDATED RISKS, UNCERTAINTIES AND OUTLOOK FOR 2003

2003 will mark an important year of transition as the Company finalizes its evolution to an Atlantic Canada based, Telecom–centric business. To accomplish this, Aliant will focus on four primary initiatives; exiting from non-core businesses, preserving and growing revenue, continued cost structure efficiencies, and investing in its human capital.

Preserving its traditional wireline revenue streams will be a prime area of focus for Aliant in 2003. The depth of the Company's relationships with its consumer and business customers and the stability of its business have made Aliant a partner of choice for Atlantic Canadians, and the Company will continue to ensure customers are provided with the products they require in the most cost effective manner. Aliant intends to leverage its relationships and its capital investment in its telecommunication networks to create new revenue opportunities.

The Company has achieved wireline and wireless EBITDA margins that rank amongst the best in the world, best-in-class performance in the management of working capital

Outstanding share information

Authorized

Unlimited number of preference shares, issuable in series.

Unlimited number of common shares, without par value

Issued (*thousands of dollars*)	Number of shares	*January 31, 2003* Value
Preference shares, series 2	7,000,000	$ 172,264
Common shares	139,372,463	1,061,454
		$ 1,233,718

A summary of the Company's stock option plan is presented below:

	Number of options	*January 31, 2003* Weighted average exercise price
Options outstanding	2,656,595	$ 29.01
Options exercisable	1,656,743	$ 27.71

and the generation of free cash flow. In 2003, Aliant's capital investment plans will see continued reductions in capital investment spending, while operating initiatives for 2003 should sustain today's EBITDA margins in the telecommunications business through continued focus on alignments with strategic partners, business process improvements and supply chain management re-engineering.

An increased emphasis on capacity utilization, combined with a slowing need for new capital investment for what is now a very comprehensive wireline, wireless and broadband capability, will result in many positive outcomes including increased customer satisfaction, increased profitability and increased free cash flow from operations. Future investments will focus on improving capacity utilization of the existing infrastructure, rather than additional capacity.

Aliant's ability to deliver continued and consistent success is greatly dependent on the quality of its human resources. In 2003, Aliant will be making significant investments in its people and processes and creating strategic alignment throughout its 10,100 person organization. The adoption of long-term shareholder value creation drivers as the key metrics against which variable compensation will be paid will better align pay with performance. Aliant's renewed focus on leadership development will strengthen its considerable talent pool.

Finally, during 2003, Aliant will continue to exit from its non-core businesses, freeing up capital and other resources to focus on telecommunications.

Aliant is actively managing an orderly exit from non-core assets in its emerging business segment. Effective January 1, 2003 Aliant will be transferring Innovatia under the telecommunications umbrella both operationally and for external financial reporting. The integration of Innovatia

Aliant Inc. consolidated 2003 guidance

(millions of dollars except per share amounts)

	2002 actual	2003 low	2003 high	2003 growth rate low %	2003 growth rate high %
Revenues					
Telecommunications*	$ 1,812	1,825	$ 1,880	1	4
Information technology	399	420	430	5	8
Remote communications	513	560	585	9	14
Emerging business, excluding Innovatia	73	—	—	—	—
Corporate and other	(167)	(175)	(165)	(5)	1
Consolidated	$ 2,630	$ 2,630	$ 2,730	0	4
EBITDA[7]					
Telecommunications*	$ 857	$ 840	$ 870	(2)	2
Information technology	3	30	38	—	—
Remote communications	110	115	125	5	14
Emerging business, excluding Innovatia	(1)	—	—	—	—
Corporate and other	(27)	(35)	(33)	(31)	(23)
Consolidated	$ 942	$ 950	$ 1,000	1	6
Earnings per common share (EPS)					
Consolidated	$ 1.21	$ 1.60	$ 1.80	32	49
Capital expenditures					
Telecommunications*	$ 369	$ 305	$ 350	(17)	(5)
Corporate and other	46	45	50	(2)	9
Consolidated	$ 415	$ 350	$ 400	(16)	(4)
Free cash flow from operations[4]					
Consolidated	$ 233	$ 250	$ 300	7	29

** Telecommunications 2002 actuals and 2003 guidance incorporates Aliant Telecom and Innovatia.*

into Aliant Telecom will build on synergies between the units and will provide greater operational support for the eLearning business. The guidance provided above for the telecommunications segment includes Innovatia.

Consolidated revenue is expected to grow 0 per cent to 4 per cent in 2003 on a base of $2,630 million. This guidance projects modest growth in the telecommunications line of business, which will face additional pressures on its revenue in 2003 from competition and the $19 million additional negative impact from changes to the CRTC price caps, thus limiting its growth.

EBITDA is expected to grow by 1 per cent up to 6 per cent, representing a range of $950 million to $1 billion on a base of $942 million in 2002. EBITDA growth is moderate due to an expected $58 million negative impact in 2003 from the increased impact of the CRTC price cap decision, increased pension expense due to revised pension assumptions, and the adoption of fair-value accounting for stock-based compensation. Virtually the entire negative $58 million EBITDA impact will be reflected within telecommunications. Telecommunications EBITDA margins (including Innovatia) are expected to remain strong at between 46 per cent and 47 per cent.

Earnings per common share (EPS) is expected to be in the range of $1.60 to $1.80 in 2003, including the approximate $0.25 reduction resulting from the aforementioned items.

It is anticipated that capital expenditures in 2003 will be between $350 and $400 million, compared to $415 million spent in 2002. This continued decline in the Company's rate of capital investment is reflective of a disciplined approach to allocating funds for investment coupled with lower demands for broadband and wireless investment.

Consolidated operations are anticipated to generate $250 million to $300 million in free cash flow from operations.

OPERATING RESULTS BY LINE OF BUSINESS

Telecommunications

The telecommunications line of business is comprised of the operations of Aliant Telecom, its subsidiaries and Aliant's 87.1 per cent ownership of Aliant ActiMedia (a joint venture), a telephone directory business operating in Atlantic Canada.

Net operating revenues in 2002 decreased $26.5 million from 2001. Local revenues decreased $101.4 million as the $112.7 million negative impact of the CRTC's contribution decision was partially offset by gains from various pricing initiatives. These negative impacts were also partially offset by wireless and Internet revenue growth of 12.6 per cent and 16.0 per cent respectively for 2002.

Effective January 1, 2002, the contribution decision requires that all service providers pay 1.3 per cent (4.5 per cent – 2001) on certain of their telecommunications

Telecommunications operating results

(thousands of dollars)	**2002**	2001	$ change	% change
Local	**$ 767,040**	$ 868,424	$ (101,384)	(11.7)
Long distance	**403,889**	408,657	(4,768)	(1.2)
Wireless	**281,321**	249,897	31,424	12.6
Internet	**91,450**	78,838	12,612	16.0
Other revenues	**242,435**	242,015	420	0.2
Total operating revenues	**1,786,135**	1,847,831	(61,696)	(3.3)
Cost of operating revenues	**213,453**	248,678	(35,225)	(14.2)
Net operating revenues	**1,572,682**	1,599,153	(26,471)	(1.7)
Operating expenses	**712,590**	721,329	(8,739)	(1.2)
EBITDA (before restructuring charge)[2]	**860,092**	877,824	(17,732)	(2.0)
Restructuring charge	**—**	76,448	(76,448)	(100.0)
EBITDA[2]	**860,092**	801,376	58,716	7.3
Depreciation and amortization	**365,272**	349,248	16,024	4.6
Operating income	**494,820**	452,128	42,692	9.4
Other income (expense)	**1,195**	(457)	1,652	361.5
Interest expense	**87,277**	97,403	(10,126)	(10.4)
Income tax expense	**164,516**	158,272	6,244	3.9
Non-controlling interest expense	**1,354**	869	485	55.8
Net income	**$ 242,868**	$ 195,127	$ 47,741	24.5

revenues into a national contribution pool. Local service providers are then able to draw from the pool to help offset the costs of providing basic local services in high-cost areas. These changes have reduced both Aliant Telecom's revenues and related cost of revenues, but the decrease in costs only partially offset decreased revenues.

EBITDA for 2002 was negatively impacted by $70.1 million compared to an $18.1 million positive impact during the previous year. Excluding the impact of the contribution decision, EBITDA growth (before restructuring charge) would be 6.0 per cent for 2002. Net income for 2002 was negatively impacted by $41.0 million compared to a $10.6 million positive impact during 2001. Excluding the impact of the contribution decision, growth in net income (before restructuring charge) would be 19.2 per cent.

Impact of price cap decision

On May 30, 2002, the CRTC released its price cap decision that prescribes new rules to determine the rates charged for certain local telephone services. The decision is estimated to have a negative EBITDA impact of $25.0 million in 2003 and a negative impact on net income of $14.6 million. During 2002, the decision negatively impacted EBITDA and net income by approximately $5.3 million and $3.1 million respectively. The impact of the decision on Aliant may change following further analysis and clarification from the CRTC on the deferral account mechanism. The new price cap regime replaces a price cap framework that ended on May 31, 2002 and will continue until September 2006.

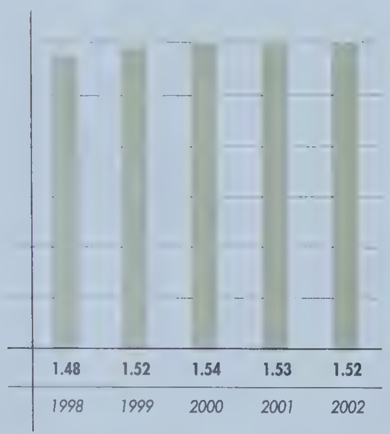
Revenues

Local

Local revenues were primarily impacted by the contribution decision as previously discussed. Without the loss of revenues from the CRTC contribution decision, local revenues would have increased 1.3 per cent in 2002.

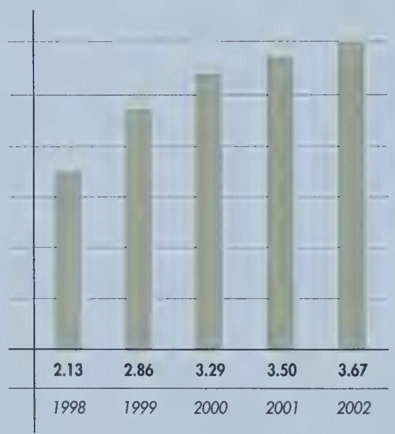
Local voice network access services (NAS) revenue

Wireline network access services
(millions)



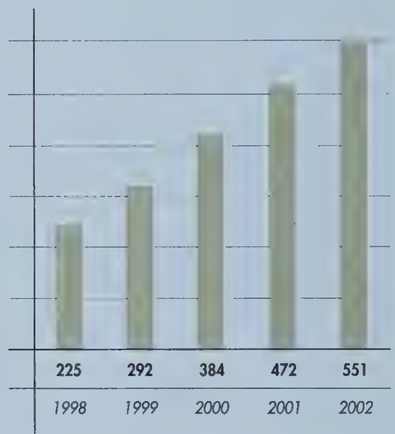
Network access services declined slightly in 2002 due to increased competition, cannibalization by wireless services, and the migration of customers from dial-up to high-speed Internet access. Our market share is strong at 96.5 per cent.

Long distance conversation minutes
(billions)



Contact centre customers and flat-rate long distance calling for residential customers increased long distance usage by 4.9 per cent in 2002 to a record 3.67 billion minutes. Our market share in Atlantic Canada remains around 88 per cent.

Cellular customers
(thousands)



Growth in the number of cellular customers continued in 2002, up 16.8 per cent to 550,567. Customers subscribing to digital services increased 65.2 per cent. Our market share is approximately 75 per cent.

Impact of contribution regime changes

(millions of dollars)	**2002**	2001
Decreased local revenues	**$ (112.7)**	$ (12.2)
Decreased long distance revenues	**—**	(21.3)
Total revenue impact	**(112.7)**	(33.5)
Decreased settlement expense	**—**	(10.8)
Decreased contribution expense	**(42.6)**	(40.8)
Total cost of revenues impact	**(42.6)**	(51.6)
Net EBITDA[2] impact	**(70.1)**	18.1
Income tax impact	**(29.1)**	7.5
Net income impact	**$ (41.0)**	$ 10.6

increased $5.2 million to $464.7 million for 2002 as price increases implemented in mid 2001 took effect. While NAS volumes declined 0.4 per cent, due to a combination of competition and cannibalization to wireless and migration from dial-up to high-speed Internet, overall market share for local services remains strong at 96.5 per cent. Revenue from the provision of enhanced service features grew $9.2 million or 10.5 per cent in 2002 resulting from higher penetration with bundled offerings and increased prices. Revenue from the provision of local data access services grew $1.9 million or 2.1 per cent in 2002 from growth in data circuits netted with price decreases required by the new price cap regime.

Long distance

Aliant Telecom's minute volumes increased by 4.9 per cent from 3.50 billion in 2001 to 3.67 billion in 2002. Contact centre customers in Atlantic Canada continue to be a significant driver of long distance minute volumes. Bundled service offerings, including a flat rate long distance component, continue to increase calling volumes in the residential market. With these initiatives, Aliant Telecom has maintained its market share of approximately 88 per cent of the Atlantic Canada long distance market.

Long distance revenues have remained relatively flat as lower average per-minute prices continue to offset the impact of demand growth with an overall decline of 1.2 per cent or $4.8 million in 2002.

Wireless

Wireless revenues are earned through the provision of cellular, paging and mobile radio services. Aliant Telecom's wireless revenues increased 12.6 per cent to $281.3 million in 2002. Aliant Telecom maintains an industry leading position with market share of approximately 75 per cent for cellular services and churn of 1.36 per cent. Continued new demand for these services is reflected in customer growth. Aliant Telecom's cellular customers numbered 550,567 at the end of 2002, representing growth of 16.8 per cent over 2001, including a 65.2 per cent increase in digital subscribers.

Part of the growing demand for cellular services is due to the growth in new digital services as geographical digital coverage is expanded. By the end of 2002 approximately 68 per cent of Atlantic Canada's population had access to digital cellular service. Prepaid wireless services continue to meet the market demand of customers who have lower usage patterns. While this has resulted in greater penetration of service, there has been a decline in the average revenues per customer (ARPC) by 5.5 per cent to $42.80 per month for 2002 compared with $45.31 per month last year. Prepaid ARPC is expected to increase significantly in 2003 as a result of recent price increases and program changes. Average monthly revenue per postpaid customer is $48.90 in 2002 compared to $49.56 in 2001, a decrease of 1.3 per cent.

Internet

Internet services continued to generate strong growth over the past twelve months as the number of Aliant Telecom's high-speed customers increased by approximately 42 per cent while the number of regular dial-up customers declined by approximately 2 per cent. Revenues from Internet services increased 16.0 per cent to $91.5 million for 2002. At the end of 2002, high-speed Internet services passed 60 per cent of the homes in Atlantic Canada. Aliant Telecom maintains an Internet churn of 2.6 per cent for the current year.

Other revenues

Other telecommunications revenues are primarily derived from telephone directory advertising, equipment sales and newer revenue sources such as e-Commerce and network management. Total other revenues are consistent with the prior year. Increased revenues from product sales and directory revenues were offset by the decrease in other miscellaneous revenues due to lower late pay revenues from lower interest rates, lower consulting revenues from a weak consulting market and lower LivingLAB™ revenues, impacted by the information technology slowdown.

Expenses

Cost of revenues

Cost of revenues decreased in 2002 from lower contribution payments associated with the lower rate of 1.3 per cent of revenues required to be paid compared to 4.5 per cent for

Other revenues
(thousands of dollars)

	2002	2001	$ change	% change
Product sales	**$ 122,253**	$ 115,716	$ 6,537	5.6
Directory revenues	**44,513**	42,516	1,997	4.7
Other miscellaneous	**75,669**	83,783	(8,114)	(9.7)
	$ 242,435	$ 242,015	$ 420	0.2

2001. The increase in costs of goods sold corresponds to the increase in product sales.

Operating expenses

Telecommunications operating expenses were $712.6 million for 2002, down 1.2 per cent over last year. Operating expenses have decreased as a result of various expense savings programs, including the 2001 selective retirement program, Bell alignment initiative and other cost reduction initiatives. The impact of these savings has been largely offset due to costs associated with the growth of the wireless and Internet businesses.

Depreciation and amortization

Telecommunications' depreciation and amortization expenses were up 4.6 per cent in 2002 compared to last year due to a larger capital asset base. The focus of capital spending has shifted over the past two years from the traditional voice network toward broadband and wireless, areas with high revenue growth. Capital investments have decreased by 7.7 per cent from $393.0 million in 2001 to $362.5 million in 2002.

Bell alignment initiative

Late in 2001, Aliant Telecom and Bell Canada agreed to work more closely together to achieve shared goals of improving customer service, reducing costs (expense and capital) and growing revenues.

Throughout 2002, the two companies undertook a number of initiatives that have provided Aliant Telecom with $26.6 million in revenue generation and cost savings opportunities in addition to ongoing capital savings. These initiatives include a common voice mail and email platform, shared creative work for advertising campaigns, adoption of certain Bell pricing methodologies and lower cross border rates for calls terminating in the U.S.

Late in 2002, Bell Canada and Aliant Telecom announced the development of a strategic network alliance that will forge a more integrated relationship between the two companies.

Telecommunications risks, uncertainties and outlook for 2003

In 2003, Aliant Telecom expects to maintain a strong revenue position. The CRTC price cap decision, released in 2002, clarified the overall framework of telecommunications regulation until 2006. It clarified the services subject to regulation and the regulatory rules specific to the services. Further analysis by the CRTC of the deferral account mechanism may result in additional financial impacts in the coming year. In 2003, several regulatory proceedings and accompanying decisions are anticipated, but none are expected to have a material financial impact.

The preservation of traditional wireline revenue streams will be a prime area of focus in 2003. Superior customer service and flexible bundled offerings will support customer retention and growth. The company anticipates a modest decrease in overall network access subscribers due to competition and cannibalization.

Wireless and Internet are expected to continue providing solid revenue growth. Growth opportunities in wireless consist of obtaining new customers in key market segments and increasing revenue per customer, through shifting analog customers to digital and new wireless data offerings. In late 2002, Aliant Mobility announced the launch of its 1xRTT (one times radio transmission technology) wireless network, delivering the fastest wireless data speeds in Atlantic Canada. Throughout 2003, introduction of the 1X service will continue across Atlantic Canada providing the foundation for an entirely new generation of mobile applications offering rich media and graphics. These features will bring a new level of appeal for wireless devices among customers seeking a personalized, feature-rich mobile experience.

Aliant Telecom is a major Internet service provider (ISP) in Atlantic Canada. Aliant Telecom's focus on quality, customer service, and its range of applications, along with the dedicated two-way access on its high-speed network, should enable the company to maintain its strong market position into the future. Internet revenues are anticipated

Cost of revenues

(thousands of dollars)	**2002**	2001	$ change	% change
Settlement costs	**$ 46,131**	$ 45,815	$ 316	0.7
Contribution payments	**17,207**	59,775	(42,568)	(71.2)
Costs of goods sold	**138,587**	131,790	6,797	5.2
Other	**11,528**	11,298	230	2.0
	$ 213,453	$ 248,678	$ (35,225)	(14.2)

to grow in 2003 as dial-up customers begin to shift to high-speed Internet connections.

Aliant Telecom has built a strong telecommunications network. Future capital spending will focus on supporting the existing infrastructure and opportunities that are economically justified. The company is now poised to leverage this fixed investment by striving for greater capacity utilization and turning its attention towards engaging external partners in the development of new applications for its network. Aliant, an industry leader in innovation, plans to meet the increasingly complex customer demands through its ongoing development of new products and services.

On December 31, 2001, the collective agreement with the unions representing operators, clerical and craft employees in the four Atlantic provinces expired. The bargaining unit is represented by the Council of Atlantic Telecommunication Unions ("CATU"). Negotiations began on March 4, 2002, and progress to date has been satisfactory. The company and the CATU have exchanged proposals on 24 of 32 articles and reached agreement on seven articles. Negotiations have been scheduled into May of 2003.

Aliant continues to strengthen its relationship with Bell Canada through their strategic network alliance. This network alliance will enable Aliant to deliver enhanced and competitive products and services to telecommunications customers at a lower overall cost, while at the same time increase the ability of both Bell Canada and Aliant to achieve significant benefits in supporting national customers. By working closely together, both companies will be able to take advantage of their common infrastructure to achieve operational benefits and enhance service delivery to customers.

Information technology

Aliant's information technology (IT) line of business is operated by xwave, a wholly owned subsidiary. xwave's revenues increased 6.7 per cent in 2002 to $399.3 million from $374.1 million in 2001. Fulfillment business revenues continue to show significant growth, with a 21.3 per cent increase to $161.7 million, primarily due to significant sales to the public sector and increasing market penetration in the Atlantic and Ontario regions. Competitive pressures resulted in a decrease in IT services revenue of 1.3 per cent to $237.6 million, as well as a reduction in gross margin from 31.0 per cent to 30.0 per cent. The gross margin on 2002 fulfillment business revenues decreased from 9.3 per cent in 2001 to 8.5 per cent in 2002. Overall, the impact on net operating revenues was minimal.

Recognizing the diminished prospects of recovery in the IT sector in the short term, the company revised its estimates with respect to the continuing value of xwave's assets, resulting in a $12.2 million negative impact on EBITDA in 2002. EBITDA (before restructuring charge) has declined $30.4 million or 91.4 per cent over last year, due partially to this revaluation of assets. This decline is also a result of lower utilization levels of IT resources

Information technology operating results

(thousands of dollars)	**2002**	2001	$ change	% change
Services	**$ 237,640**	$ 240,847	$ (3,207)	(1.3)
Fulfillment	**161,698**	133,297	28,401	21.3
Total operating revenues	**399,338**	374,144	25,194	6.7
Cost of operating revenues	**147,973**	120,848	27,125	22.4
Net operating revenues	**251,365**	253,296	(1,931)	(0.8)
Operating expenses	**248,497**	220,061	28,436	12.9
EBITDA (before restructuring charge)[2]	**2,868**	33,235	(30,367)	(91.4)
Restructuring charge	**—**	25,755	(25,755)	(100.0)
EBITDA[2]	**2,868**	7,480	(4,612)	(61.7)
Depreciation and amortization	**12,716**	16,468	(3,752)	(22.8)
Operating income	**(9,848)**	(8,988)	(860)	(9.6)
Other income (expense)	**710**	340	370	108.8
Write-down of goodwill	**25,000**	—	25,000	—
Interest expense	**2,635**	2,109	526	24.9
Income tax expense	**(4,468)**	(41)	(4,427)	—
Non-controlling interest expense (recovery)	**13**	(121)	134	110.7
Net loss	**$ (32,318)**	$ (10,595)	$ (21,723)	(205.0)

due to lower than expected industry-wide demand for systems integration services and the cost for a support infrastructure which has been more than required.

In the fourth quarter of 2002, xwave recorded a $25.0 million write-down of goodwill. This write-down was determined to be appropriate in light of current market conditions, the weak performance of the company in recent months and to be consistent with our conservative accounting policies. This write-down was in addition to a write-down of goodwill held in the books of Aliant, which is associated with xwave.

Information technology risks, uncertainties and outlook for 2003

xwave is a full-service IT provider to a broad range of clients and is particularly focused on specific industry verticals where it and other Aliant companies have significant experience – telecommunications, energy, defense, aerospace and public safety.

During 2002, xwave has provided Aliant Telecom with a full range of IT services as well as supporting go-to-market product initiatives with Aliant Telecom. For 2003, in addition to its role as Aliant Telecom's own IT service provider, xwave will focus on growing its enterprise customer base through the development of key business and specialized applications.

Aliant no longer considers xwave strategic to its future and has begun the process to identify an experienced IT service provider to acquire the business and to contract with them to continue the outsourced services which have been provided by xwave to the telecommunications unit.

Remote communications

Aliant's remote communications line of business is represented by its 53.2 per cent ownership of Stratos. Stratos' revenue increased 13.8 per cent to $513.2 million in 2002 from $450.9 million in 2001. Strong activity in the corporation's mobile satellite business has contributed to the corporation's overall revenue growth during 2002. EBITDA increased 10.0 per cent to $109.8 million in 2002 from $99.8 million in 2001. Net operating revenues have increased by $20.1 million from $165.5 million in 2001 to $185.7 million in 2002. EBITDA margins as a percentage of revenue remain relatively unchanged, from 22.1 per cent of revenue in 2001 to 21.4 per cent of revenue in 2002.

In May 2002, Stratos issued $148.8 million of new equity, including Aliant's participation of $31.0 million. The net proceeds were used by Stratos to pay down its bridge credit facility. As a result, Aliant's ownership decreased from 61.1 per cent in 2001 to 53.2 per cent in May 2002 resulting in a dilution gain of $32.5 million recorded by Aliant in Other income (expense).

Stratos Global Corporation is a publicly traded company (TSX:SGB). For further information, please refer to Stratos' management discussion and analysis.

Emerging business

Aliant's emerging businesses are grouped under the ownership of Aliant Horizons and include wholly owned

Remote communications operating results

(thousands of dollars)	**2002**	2001 *(restated)*[1]	$ change	% change
Mobile satellite	**$ 367,923**	$ 304,171	$ 63,752	21.0
Broadband	**145,252**	146,733	(1,481)	(1.0)
Operating revenues	**513,175**	450,904	62,271	13.8
Cost of operating revenues	**327,509**	285,360	42,149	14.8
Net operating revenues	**185,666**	165,544	20,122	12.2
Operating expenses	**75,874**	65,738	10,136	15.4
EBITDA[2]	**109,792**	99,806	9,986	10.0
Depreciation and amortization	**43,164**	52,272	(9,108)	(17.4)
Operating income	**66,628**	47,534	19,094	40.2
Other income (expense)	**—**	(13,874)	13,874	(100.0)
Gain (loss) on foreign exchange	**23,944**	(30,938)	54,882	177.4
Interest expense	**38,757**	57,106	(18,349)	(32.1)
Income tax expense	**1,529**	9,417	(7,888)	(83.8)
Non-controlling interest expense (recovery)	**23,514**	(25,019)	48,533	194.0
Net income (loss)	**$ 26,772**	$ (38,782)	$ 65,554	169.0

Innovatia, Prexar, and 57.4 per cent owned AMI. Aliant has previously announced its intention to divest of its investment in AMI and Prexar.

Aliant's emerging business revenues decreased 23.8 per cent to $98.2 million in 2002 from $128.9 million in 2001 due largely to the sale of K&D Pratt Limited and ASCO Canada in the fourth quarter of 2001. These businesses contributed $32.4 million in revenue in 2001. EBITDA (before restructuring charge) is relatively unchanged from the prior year. Throughout 2002 this segment had focused on operating efficiencies and cost control efforts in light of lower revenues. Other income (expense) in 2002 includes $29.4 million in investment write-downs recorded on long-term investments.

Emerging business risks, uncertainties and outlook for 2003

As previously discussed, the emerging businesses line of business will cease to exist during 2003. Exit strategies for most of the assets within this line of business have been developed, except for the knowledge management services provided by Innovatia. Aliant Telecom will leverage Innovatia's knowledge management services to drive increased traffic over the telecommunications networks and support Innovatia's strategy of becoming the premier eLearning services provider to the North American IT and telecommunications industry. Due to the close connection with Aliant Telecom, Innovatia will be reported in the telecommunications line of business in 2003.

Emerging business operating results

(thousands of dollars)	**2002**	2001	$ change	% change
Operating revenues	**$ 98,235**	$ 128,886	$ (30,651)	(23.8)
Cost of operating revenues	**45,775**	56,569	(10,794)	(19.1)
Net operating revenues	**52,460**	72,317	(19,857)	(27.5)
Operating expenses	**56,867**	77,181	(20,314)	(26.3)
EBITDA (before restructuring charge)[2]	**(4,407)**	(4,864)	457	9.4
Restructuring charge	**—**	3,034	(3,034)	(100.0)
EBITDA[2]	**(4,407)**	(7,898)	3,491	44.2
Depreciation and amortization	**18,876**	8,985	9,891	110.1
Operating income	**(23,283)**	(16,883)	(6,400)	(37.9)
Other income (expense)	**(33,978)**	(2,209)	(31,769)	—
Interest expense	**1,343**	1,561	(218)	(14.0)
Income tax expense (recovery)	**(4,824)**	(6,102)	1,278	20.9
Non-controlling interest expense (recovery)	**61**	(268)	329	122.8
Net loss	**$ (53,841)**	$ (14,283)	$ (39,558)	(277.0)

Responsibility

MANAGEMENT REPORT

The accompanying financial statements of Aliant Inc. and all information in this annual report are the responsibility of management and have been approved by the Board of Directors. The financial statements are based upon management's best estimates and judgements and have been prepared within the guidelines of generally accepted accounting principles appropriate in the circumstances. Financial information used elsewhere in the annual report is consistent with that in the financial statements.

To ensure the integrity and objectivity of the data, management maintains a system of internal controls comprising written policies, procedures and a comprehensive internal audit program which provides reasonable assurance that transactions are recorded and executed in accordance with its authorization, that assets are properly safeguarded and that reliable financial records are maintained.

The responsibility of the Board of Directors is pursued principally through the audit committee, which meets periodically with management and the internal and external auditors to review accounting principles, practices and internal controls.

The shareholders' external auditors have free access to the audit committee both with and without management present. The report on their review, which provides an independent assessment of the system of internal controls and the compliance of the financial statements with generally accepted accounting principles, is shown opposite.

Jay Forbes
President and chief executive officer

Barry Kydd
Chief financial officer
Saint John, New Brunswick
February 13, 2003

AUDITORS' REPORT

We have audited the consolidated balance sheets of Aliant Inc. as at December 31, 2002 and 2001 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Ernst & Young LLP
St. John's, Newfoundland and Labrador
February 13, 2003

Statements

CONSOLIDATED BALANCE SHEETS

As at December 31 (thousands of dollars)	**2002**	2001 *(as restated, note 1)*
Assets		
Current assets		
Cash and short-term investments	**$ 263,599**	$ 131,558
Accounts receivable (note 2)	**424,322**	482,454
Inventory	**35,229**	36,046
Prepayments	**41,656**	34,947
Future income tax asset (note 3)	**—**	17,500
	764,806	702,505
Capital assets (note 4)	**2,329,359**	2,346,599
Other assets		
Long-term investments (note 5)	**44,724**	65,501
Deferred charges	**110,585**	121,474
Future income tax asset (note 3)	**14,390**	9,881
Goodwill (note 6)	**365,810**	418,286
	535,509	615,142
Total assets	**$ 3,629,674**	$ 3,664,246
Liabilities and shareholders' equity		
Current liabilities		
Notes payable and bank advances (note 7)	**$ 98,884**	$ 103,156
Payables and accruals (note 8)	**191,912**	311,915
Future income tax liability (note 3)	**2,116**	—
Long-term debt due within one year (note 9)	**143,064**	84,788
	435,976	499,859
Long-term debt (note 9)	**1,265,536**	1,460,741
Accrued benefit obligation (note 10)	**73,873**	43,758
Deferred credits	**12,858**	15,880
	1,788,243	2,020,238
Non-controlling interest (note 11)	**170,856**	61,029
Shareholders' equity		
Capital stock (note 12)	**1,237,650**	1,186,680
Contributed surplus	**69,320**	69,320
Retained earnings	**354,080**	326,979
Cumulative translation adjustment	**9,525**	—
	1,670,575	1,582,979
Total liabilities and shareholders' equity	**$ 3,629,674**	$ 3,664,246

See accompanying notes to the consolidated financial statements
Signed on behalf of the Board of Directors

Charles White

Charles White
Chairman

Edward Reevey
Director

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31 (thousands of dollars except per share amounts)	**2002**	2001 *(as restated, note 1)*
Operating revenues (note 13)	**$ 2,630,353**	$ 2,601,566
Expenses		
Cost of operating revenues	**735,035**	710,639
Operating expenses	**953,697**	913,890
Depreciation and amortization	**441,151**	434,952
Restructuring charge (note 8)	**—**	111,237
	2,129,883	2,170,718
Operating income	**500,470**	430,848
Other income (expenses)		
Gain (loss) on foreign exchange (note 1)	**23,944**	(30,938)
Write-down of goodwill	**(50,000)**	—
Other income (expenses) (note 14)	**3,692**	(16,821)
	(22,364)	(47,759)
Interest charges		
Interest on long-term debt	**124,162**	148,733
Other interest	**2,525**	8,756
	126,687	157,489
Income before underlisted items	**351,419**	225,600
Income taxes (note 3)	**148,901**	146,039
Income before non-controlling interest	**202,518**	79,561
Non-controlling interest share of (income) losses	**(24,942)**	24,539
Net income	**$ 177,576**	$ 104,100
Net income	**$ 177,576**	$ 104,100
Add back: Amortization of goodwill	**—**	25,383
Net income before amortization of goodwill	**$ 177,576**	$ 129,483
Earnings per common share (note 15)		
Basic	**$ 1.21**	$ 0.72
Add back: Amortization of goodwill	**—**	0.19
Adjusted basic	**$ 1.21**	$ 0.91
Diluted	**$ 1.21**	$ 0.72
Add back: Amortization of goodwill	**—**	0.19
Adjusted diluted	**$ 1.21**	$ 0.91

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended December 31 (thousands of dollars)	**2002**	2001 *(as restated, note 1)*
Retained earnings, beginning of period as previously reported	**$ 343,807**	$ 351,482
Change in accounting policy for foreign currency translation (note 1)	**(16,828)**	—
	326,979	351,482
Change in accounting policy for stock-based compensation (note 1)	**(369)**	—
Goodwill impairment provision (note 1)	**(8,622)**	—
Retained earnings, beginning of year as restated	**317,988**	351,482
Net income	**177,576**	104,100
Preferred share dividends	**(9,538)**	(6,619)
Common share dividends	**(131,946)**	(121,984)
Retained earnings, end of year	**$ 354,080**	$ 326,979

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31 (thousands of dollars)	**2002**	2001 *(as restated, note 1)*
Cash and cash equivalents from (used in) operations		
Net income	**$ 177,576**	$ 104,100
Add (deduct) non-cash items:		
Depreciation and amortization	**441,151**	434,952
Write-down of goodwill	**50,000**	—
Loss (gain) on foreign exchange	**(23,944)**	30,938
Future income taxes	**(1,247)**	(23,572)
Other non cash items	**(5,221)**	(35,547)
Share in earnings of equity accounted investments	**4,987**	6,217
Non-controlling interest share of income (losses)	**24,942**	(24,539)
	668,244	492,549
Change in non-cash working capital balances related to operations	**(20,150)**	(89,178)
	648,094	403,371
Cash and cash equivalents from (used in) financing		
Sale (repurchase) of accounts receivable	**(15,000)**	150,000
Repayments of notes payable and bank advances	**(4,273)**	(178,987)
Proceeds from long-term debt	**100,000**	530,670
Repayments of long-term debt	**(227,487)**	(583,572)
Increase in non-controlling interest	**117,811**	3,081
Proceeds from issue of preferred shares	**—**	172,264
Proceeds from issue of common shares	**10,398**	33,974
Preferred share dividends	**(9,538)**	(6,619)
Common share dividends	**(91,374)**	(64,143)
	(119,463)	56,668
Cash and cash equivalents from (used in) investing		
Capital expenditures	**(414,965)**	(465,642)
Proceeds on sale of investments	**13,560**	68,918
Decrease in investments	**39**	9,496
Increase (decrease) in deferred charges	**3,312**	(19,206)
Purchase of subsidiaries' net assets and goodwill (note 16)	**—**	(2,539)
	(398,054)	(408,973)
Change in cash and short-term investments	**130,577**	51,066
Cash and short-term investments, beginning of year	**131,558**	80,492
Effect of exchange rate changes on cash	**1,464**	—
Cash and short-term investments, end of year	**$ 263,599**	$ 131,558
Supplementary disclosure		
Interest paid	**$ 124,946**	$ 165,693
Income taxes paid	**$ 167,540**	$ 202,787

See accompanying notes to the consolidated financial statements

Statement notes

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidated financial statements

The consolidated financial statements include the accounts of Aliant Inc. (the "Company") and all entities that are controlled by the Company and its proportionate share of jointly controlled entities.

At December 31, 2002, the principal subsidiaries of the Company include: Aliant Telecom Inc., Aliant Information Technology Inc., Xwave Solutions Inc., Aliant Horizons Inc., Stratos Global Corporation, AMI Offshore Inc., Innovatia Inc., Prexar LLC, 515713 N.B. Inc. and Aliant Energy Services Inc.

Use of accounting estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Regulation

Aliant Telecom Inc., the Company's major telecommunications subsidiary, is subject to regulation by the Canadian Radio-television and Telecommunications Commission ("CRTC"). On May 30, 2002 the CRTC released its Decision 2002-34, which includes prescribed new rules effective for a four year period to determine the rates charged for certain local telephone services. In 2003, the impact of the decision on Aliant may change following further analysis and clarification from the CRTC on the deferral account mechanism as discussed in note 22.

Cash and short-term investments

Cash and short-term investments consist of cash on hand and balances with banks, and investments in money market instruments with original maturity of less than 90 days that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in fair value. The Company uses the indirect method to prepare its cash flow statement.

Transfer of receivables

The Company entered into a Purchase and Sale Agreement under which it sells its interest in a pool of present and future eligible accounts receivable to a securitization trust that issues securities to investors. These transactions are accounted for as sales when the Company is considered to have surrendered control over the transferred accounts receivable and receives proceeds from the trust, other than a beneficial interest in the assets sold. Losses or gains on these transactions are recognized as other expenses or income and are dependent in part on the previous carrying amount of the accounts receivable transferred, which is allocated between the accounts receivable sold and the retained interest, based on their relative value at the date of the transfer. The Company determines fair value based on the present value of future expected cash flows using management's best estimates of key assumptions such as discount rates, weighted average life of accounts receivable and credit loss ratios.

Inventory

Inventory is valued at the lower of cost and net realizable value.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future tax assets or liabilities are expected to be realized or settled. The

effect of a change in substantively enacted income tax rates on future income tax assets and liabilities is included in income in the period that the change occurs.

Capital assets

Capital assets are recorded at cost. Depreciation is computed on a straight-line basis (outlined in the table below) over the useful lives of the assets.

Asset	*Method*	*Rate*
Buildings	Straight line	32 – 40 years
Plant	Straight line	14 years
Machinery and equipment	Straight line	3 – 5 years

Depreciation is not recorded on plant under construction that is not yet operational.

Gains and losses on the disposal of identifiable capital assets are included in income in the period they occur.

Long-term investments

The Company accounts for its investments in affiliated companies over which it has significant influence using the equity method of accounting, whereby the investments are initially recorded at cost, and subsequently adjusted to recognize the Company's share of earnings or losses of the investee companies and reduced by dividends received.

Portfolio investments are accounted for at cost. Declines in market value below cost are recognized when such declines are considered to be other than temporary.

Deferred charges

Deferred charges include debt issue costs, which are amortized on a straight-line basis over the term of the related debt, cellular dealer commissions and hardware subsidies, which are amortized over the length of customer contracts, as well as Internet commissions, which are amortized over a defined customer relationship period. Also included in deferred charges is the Company's retained interest in accounts receivable transferred to a securitization trust.

Goodwill

Goodwill represents the excess, at the dates of acquisition, of the costs over the fair values of the net amounts assigned to individual assets acquired and liabilities assumed. The Company annually reviews goodwill of all its reporting units to ensure that its fair value remains greater than, or equal to, carrying value. Any impairment in the value of goodwill is charged to income in the period such impairment is determined.

Derivative financial instruments

Derivative financial instruments are used by the Company in the management of its foreign currency and interest rate exposures. The Company's policy is not to utilize derivative financial instruments for trading or speculative purposes.

The Company's policy is to formally designate each derivative financial instrument as a hedge of specific assets and liabilities on the balance sheet or to specific firm commitments. The Company believes the derivative financial instruments are effective as hedges, both at inception and over the term of the instrument, as the term to maturity and the (notional) principal amount match the terms of the instrument or transaction being hedged.

Foreign exchange forward contracts may be used periodically by the Company to manage its exposure to fluctuations in currency exchange rates. Foreign exchange forward contracts are accounted for as hedges to the extent that they are designated as, and are effective as, hedges of firm foreign currency commitments. Gains and losses on foreign exchange forward contracts are recognized in income in the same period as gains and losses on the underlying hedged transactions are recognized.

The Company has entered into interest rate swap and swaption agreements in order to manage the interest rate exposure associated with certain long-term debt obligations. Amounts payable or receivable under interest rate swap agreements are recognized as adjustments to interest expense. In addition, premiums received or paid, if any, under interest rate swaption agreements are amortized as an adjustment to interest expense over the period from receipt, or payment, of the premium income to maturity of the underlying debt obligation.

Realized and unrealized gains or losses associated with derivative instruments, which have been terminated or cease to be effective prior to maturity, are deferred under other current, or non-current, assets or liabilities on the balance sheet and recognized in income in the period in which the underlying hedged transaction is recognized. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instrument, any realized or unrealized gain or loss on such derivative instrument is recognized in income.

Post employment benefits

The Company and its subsidiaries provide certain pension plans and other non-pension post employment benefits to qualified employees. These include contributory defined contribution pension plans, non-contributory defined benefit final average pension plans and other retirement benefits such as life insurance and health care plans.

The Company accrues its obligations under employee benefit plans and the related costs, net of plan assets. The Company has adopted the following policies for its defined benefit pension plans and other post employment benefits:

(a) The cost of pensions and other post employment benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.
(b) For the purpose of calculating the expected return on plan assets, those assets are valued at market-related value.
(c) Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.
(d) The excess of the net actuarial gain (loss) over 10 per cent of the greater of the benefit obligation and the market-related value of plan assets is amortized over the average remaining service period of active employees being 16 years at December 31, 2002 (2001 – 16 years).
(e) When the restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.
(f) A valuation is performed at least every three years to determine the actuarial present value of the accrued pension and other non-pension post employment benefits.

Defined contribution plan costs are recognized as employees render services during the year.

Earnings per common share

Earnings per common share is based on the weighted average number of common shares outstanding for the period. Diluted earnings per share is computed in accordance with the treasury stock method and based on the weighted average number of common shares and dilutive common share equivalents.

Stock-based compensation plan

The Company has a stock-based compensation plan for executives and certain senior managers, which is described in note 17. No compensation expense is recognized when stock options are issued. Consideration paid on exercise of stock options is credited to share capital. Compensation expense is recognized for the Company's contributions to the Employees' Stock Savings Plan.

A subsidiary of the Company has a stock-based compensation plan specific to its own shares. A participant in this plan may elect to cash settle the options in lieu of exercising them. The company records a liability and compensation expense in connection with these awards based on their intrinsic value at the date of grant. Subsequent changes in the amount of the liability due to stock price changes are recorded as compensation expense.

Foreign currency translation

Effective July 1, 2002, the economic facts and circumstances surrounding the Company's foreign operations changed such that operations that were previously classified as integrated are now reported as self-sustaining. This change is the result of a significant reduction in the Company's financial guarantee provided to the foreign operation's lender along with strong evidence in the first two quarters of 2002 of the foreign operations ability to meet its debt servicing obligation with the lender thus limiting the Company's exposure related to the remaining guarantee. As a result, the translation method used has changed from the temporal to the current rate method.

Assets and liabilities of the Company's self-sustaining foreign operations are translated using the current rate method at exchange rates prevailing at the balance sheet date, which was US$1.00=Canadian$1.58 at December 31, 2002 (US$1.00=Canadian$1.59 at December 31, 2001). Resulting unrealized gains or losses are deferred and included in shareholders' equity as a cumulative translation adjustment. The change in the cumulative translation adjustment account reflects changes due to fluctuations in exchange rates during the period. Revenues and expenses are translated at the average exchange rate prevailing during the period.

Accounting changes

Effective January 1, 2002, the Company adopted the new accounting standards of the Canadian Institute of Chartered Accountants (CICA) with regard to foreign

currency translation, stock-based compensation and other stock-based payments and goodwill and other intangibles.

(a) Foreign currency translation

Effective January 1, 2002, unrealized foreign exchange gains or losses in relation to long-term debt balances are included in income. Previously, such gains and losses were deferred and amortized over the remaining term of the related debt.

This change was adopted retroactively with restatement of prior period balances. The following table outlines the impact of these changes for the years ended December 31:

(thousands of dollars)	**2002**	2001
Consolidated statements of income		
Increase (decrease) to:		
Loss (gain) on foreign exchange	**$ (23,944)**	$ 30,938
Depreciation and amortization	**—**	(4,416)
Future income taxes	**—**	1,016
Non-controlling interest	**11,196**	(10,710)
Net income	**$ 12,748**	$ (16,828)
Consolidated balance sheets		
Increase (decrease) to:		
Deferred charges	**$ —**	$ (26,522)
Future income tax liability	**$ —**	$ 1,016
Non-controlling interest	**$ 11,196**	$ (10,710)
Retained earnings	**$ 12,748**	$ (16,828)

Basic and diluted earnings per share for the year ended December 31, 2001 decreased by $0.12 from previously reported amounts.

(b) Stock-based compensation and other stock-based payments

The Company does not record compensation expense upon issuance of stock options to employees under its own stock option plan, as permitted under the new CICA accounting standard. However, as required by the new standard, the Company is disclosing the pro-forma net income and pro-forma earnings per share using the fair market value method of accounting for stock-based compensation awards. This pro-forma information is presented in note 15.

Under a subsidiary company's employee stock option plan, the requirements of the new standard have been adopted retroactively without restatement of prior year's financial statements. As a result of this change, opening retained earnings was decreased by $0.4 million and accounts payable and accrued liabilities were increased by $0.4 million. There was no additional compensation expense recorded during the year ended December 31, 2002.

(c) Goodwill and other intangibles

Previously, recorded goodwill was amortized on a straight-line basis over the estimated life of ten to twenty years. In addition, the Company would periodically evaluate the carrying value of goodwill for potential permanent impairment through ongoing review and analysis of fair market value and expected earnings. A permanent impairment in the value of goodwill was charged to earnings in the year such impairment was determined.

Under the new accounting standards, goodwill and intangibles with an indefinite life are no longer amortized. Entities were required to perform an impairment test as of January 1, 2002 to ascertain whether they should recognize a decline in the carrying value of any recorded goodwill balances. An impairment provision in the amount of $8.6 million was recognized as a result of the impairment test and was charged to opening retained earnings. This impairment test is required to be performed on at least an annual basis and any subsequent impairment provisions would be charged to income at that date.

2

Under an agreement dated December 13, 2001, the Company sells certain accounts receivable to a securitization trust. The excess of amounts transferred over the cash proceeds represents the Company's retained interest and the amount of overcollateralization in the receivables transferred and is included in deferred charges. The Company remains exposed to certain risks of default on the amount of receivables under securitization. It has provided various credit enhancements in the form of overcollateralization and subordination of its retained interests. The purchaser and its investors have no recourse to the Company's other assets for failure of the obligator to pay the amounts when due.

Under the agreement receivables are sold on a fully serviced basis, so that the Company continues to administer the collection of such receivables. The purchaser will re-invest the funds from collections in the purchase of additional interests in the Company's accounts receivable until the expiration of the agreement on December 13, 2006.

As at December 31, 2002, the Company had sold $135.0 million (2001 – $150.0 million) of accounts receivable and transferred $164.9 million (2001 – $176.8 million) of receivables to the trust. Included in deferred charges is the Company's retained interest of $29.9 million (2001 – $26.8 million), which has been determined using the following key assumptions underlying the transaction:

Cost of funds	2.86%
Weighted average maturity	42 days
Average credit loss	1.11%

The sensitivity of the above assumptions to an immediate 10 to 20 per cent adverse change is not material.

During the year ended December 31, 2002, the Company recognized a pre-tax loss of approximately $3.7 million (2001 – $0.4 million) on the transfer of receivables.

8

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities are presented below:

(thousands of dollars)	**2002**	2001
Capital assets	**$ (54,622)**	$ (40,112)
Pension and other employment benefits	**13,368**	13,376
Deferred charges	**(10,473)**	126
Loss carryforwards	**46,530**	39,765
Other	**17,471**	14,226
Net future tax asset	**12,274**	27,381
Less: current portion of future tax asset (liability)	**(2,116)**	17,500
Future tax asset	**$ 14,390**	$ 9,881

3 INCOME TAXES continued

Significant components of the provision for income taxes are as follows:

(thousands of dollars)	**2002**	2001
Current tax expense	**$ 146,190**	$ 163,684
Future income tax expense (benefit) relating to origination and reversal of temporary differences	**9,686**	(20,631)
Future income tax expense (benefit) resulting from rate change	**(6,975)**	2,986
Income tax expense	**$ 148,901**	$ 146,039

A reconciliation of the statutory income tax rate to the effective income tax rate is as follows:

	2002	2001
Statutory income tax rate (including surtax)	**40.75 %**	44.11 %
Federal large corporation tax	**1.47**	1.45
Tax rate change – future asset	**(1.96)**	1.33
Benefit of non-capital losses not recognized	**3.63**	8.05
Benefit of prior period losses recognized	**(2.89)**	—
Non deductible goodwill	**5.74**	—
Loss (gain) on foreign exchange	**(2.75)**	6.05
Other permanent differences	**(1.62)**	3.74
Effective income tax rate	**42.37 %**	64.73 %

Tax losses

The Company has accumulated $193.5 million in non-capital tax losses that are available to reduce taxable income in future years. If unused these losses will expire as follows:

(thousands of dollars) *Years*	*Amount*
2002 – 2005	$ 2,700
2006 – 2008	92,700
thereafter	98,100
	$ 193,500

The Company also has capital losses of approximately $2.0 million available to be carried forward to reduce capital gains in future years.

To December 31, 2002, the tax benefit of $102.8 million of these losses has been recognized as part of the future tax asset. This tax benefit includes $6.8 million relating to a portion of the tax losses carry forward of one of its subsidiaries. The Company has developed, and if necessary, will implement before the expiry of the losses, a tax strategy that would result in the realization of the tax benefits recognized.

4 CAPITAL ASSETS

(thousands of dollars)		2002	
	Cost	**Accumulated depreciation**	**Net book value**
Land	**$ 15,926**	**$ —**	**$ 15,926**
Buildings	**346,029**	**168,249**	**177,780**
Plant	**4,246,784**	**2,617,597**	**1,629,187**
Machinery and equipment	**946,685**	**472,163**	**474,522**
Plant under construction	**22,690**	**—**	**22,690**
Materials and supplies	**9,254**	**—**	**9,254**
	$ 5,587,368	**$ 3,258,009**	**$ 2,329,359**

(thousands of dollars)		2001	
	Cost	Accumulated depreciation	Net book value
Land	$ 16,888	$ —	$ 16,888
Buildings	333,361	157,680	175,681
Plant	4,054,070	2,419,011	1,635,059
Machinery and equipment	851,437	380,848	470,589
Plant under construction	39,771	—	39,771
Materials and supplies	8,611	—	8,611
	$ 5,304,138	$ 2,957,539	$ 2,346,599

5 LONG-TERM INVESTMENTS

(thousands of dollars)	**2002**	2001
Investments subject to significant influence	**$ 7,084**	$ 23,534
Portfolio investments	**37,640**	41,967
	$ 44,724	$ 65,501

6 GOODWILL

(thousands of dollars)

	2002	2001
Goodwill, at cost	**$ 468,004**	$ 461,391
Goodwill impairment provision (note 1)	**(8,622)**	—
Goodwill write-down	**(50,000)**	—
Accumulated amortization	**(43,572)**	(43,105)
	$ 365,810	$ 418,286

Due to current market conditions in the information technology sector and the weak financial performance of the Company's subsidiary, Xwave Solutions Inc., the Company has recognized a $50.0 million goodwill write-down associated with its investment in Xwave Solutions Inc.

Changes in the cost of goodwill and accumulated amortization are a result of foreign exchange fluctuations.

7 NOTES PAYABLE AND BANK ADVANCES

At December 31, 2002 the Company has $nil (2001 – $4.9 million) outstanding under its commercial paper program. The Company has lines of credit available of $535.0 million (2001 – $725.0 million). These lines consist of $300.0 million (2001 – $350.0 million) in committed lines supporting the Company's commercial paper program, $125.0 million (2001 – $225.0 million) in committed lines supporting a Stratos loan guarantee and $110.0 million (2001 – $150.0 million) in uncommitted operating lines. Certain of the company's subsidiaries also have lines of credit available totalling $130.5 million for operating and acquisition purposes.

8 RESTRUCTURING CHARGE

During 2001, the Company commenced a significant organizational restructuring which resulted in a charge of $111.2 million against earnings. The action taken in 2001 to effect the restructuring was an acceleration of long-term plans for continued efforts to realize cost savings and efficiencies resulting from the consolidation and integration of its operations.

Costs associated with workforce reduction and operational integration continue to be charged against the restructuring provision recorded at December 31, 2001. These costs include severance, pension costs and benefits as well as costs to consolidate systems and services, downsize business units, terminate contracts and streamline management and administration functions.

As at December 31, 2002, the balance of this restructuring provision included in payables and accruals totalled $10.0 million (2001 – $69.0 million). The remaining provision will be substantially drawn down during 2003, as the consolidation and integration of its operations are completed.

9 LONG-TERM DEBT

(thousands of dollars)	Interest rate	Maturity	**2002**	2001
Telecommunications				
Notes	5.35% – 6.80%	2004 – 2011	**$ 600,000**	$ 500,000
Bonds	8.76% – 11.45%	2008 – 2019	**192,500**	197,500
Debentures	6.40% – 11.13%	2003 – 2025	**265,000**	315,000
Other			**2,000**	2,009
			1,059,500	1,014,509
Present value of obligations under capital leases			**3,526**	2,092
Total – Telecommunications			**1,063,026**	1,016,601
Information technology				
Mortgages	Prime plus 1.00% – 1.50%	2002	**917**	1,879
Present value of obligations under capital leases			**429**	330
Total – Information technology			**1,346**	2,209
Remote communications				
Term debt	LIBOR + 2.50%	2005	**291,856**	318,560
Acquisition facility	LIBOR + 2.50%	2003	**44,173**	199,100
Other			**2,368**	2,815
Total – Remote communications			**338,397**	520,475
Emerging business				
Mortgages	6.89%	2004	**1,430**	1,501
Bank loans	7.02% – Prime plus 5.00%	2002 – 2004	**3,119**	3,239
Other	0% – Prime plus 4.00%	2004 – 2007	**887**	1,101
Present value of obligations under capital leases			**395**	403
Total – Emerging business			**5,831**	6,244
Total long-term debt			**1,408,600**	1,545,529
Less: Portion due within one year			**143,064**	84,788
			$ 1,265,536	$ 1,460,741

During the year ended December 31, 2002, the Company issued $100 million of 5-year medium-term notes pursuant to its base shelf prospectus dated April 27, 2001. These notes carry a coupon rate of 5.35 per cent payable semi-annually and mature on January 15, 2007.

On June 15, 2002, a $50 million 10.00 per cent Debenture matured.

On October 16, 2002, the Company redeemed all outstanding 12.25 per cent First Mortgage Bonds, Series R. The redemption price was 102.05 per cent of the principal amount plus $0.34 per $1,000 principal amount representing accrued interest to the redemption date (a total of $1,020.84 per $1,000 principal amount). There was no significant gain or loss on the redemption.

All Bonds are issued in series and are redeemable at the option of the Company prior to maturity at the prices, times and conditions specified in each series. The Bonds are secured by Deeds of Trust and Mortgage and by supplemental deeds. These instruments contain a first fixed and specific mortgage, a pledge and charge upon certain real and immovable property and equipment of Aliant Telecom Inc., and a floating charge on certain other property of Aliant Telecom Inc., both present and future.

All Debentures and Notes are issued in series and certain series are redeemable at the option of the Company prior to maturity at the prices, times and conditions specified in

9 LONG-TERM DEBT continued

each series. The Debentures and Notes are issued under trust indentures and are unsecured.

As collateral for the acquisition facility and term debt, Stratos Global has provided a first charge over all its assets with an aggregate book value of $485.0 million.

All mortgages are secured by a fixed charge against specific assets of the Company.

The aggregate amount of payments required in each of the next five years to meet principal repayments and maturities of the Company's long-term debt and the future minimum lease payments under capital leases presently outstanding is as follows: 2003 – $143.1 million; 2004 – $158.2 million; 2005 – $359.8 million; 2006 – $0.6 million; 2007 – $100.4 million; and thereafter $646.5 million.

10 ACCRUED BENEFIT OBLIGATION

The Company and its subsidiaries provide certain pension plans and other non-pension post employment benefits to qualified employees. These include contributory defined contribution pension plans, non-contributory defined benefit final average pension plans and other retirement benefits such as life insurance and health care plans.

The total expense for the Company's defined contribution plans providing pension benefits was $8.0 million (2001 – $7.4 million).

Information about the Company's defined benefit plans in aggregate is as follows:

	Pension benefit plans		Other benefit plans	
(thousands of dollars)	**2002**	2001	**2002**	2001
Accrued benefit obligation				
Balance at beginning of year	**$ 1,268,542**	$ 1,157,699	**$ 138,885**	$ 132,641
Current service cost	**26,649**	25,529	**3,274**	3,060
Interest cost	**87,218**	83,324	**9,665**	9,002
Benefits paid	**(71,227)**	(58,629)	**(3,277)**	(2,570)
Actuarial (gains) losses	**68,277**	60,619	**11,134**	(3,248)
Balance at end of year	**$ 1,379,459**	$ 1,268,542	**$ 159,681**	$ 138,885
Plan assets				
Fair value at beginning of year	**$ 1,208,540**	$ 1,294,629	**$ —**	$ —
Actual return on plan assets	**(60,345)**	(26,746)	**—**	—
Employer contributions	**8,975**	4,428	**3,277**	2,570
Benefits paid	**(71,227)**	(58,629)	**(3,277)**	(2,570)
Fund expenses	**(4,113)**	(5,142)	**—**	—
Fair value at end of year	**$ 1,081,830**	$ 1,208,540	**$ —**	$ —
Funded status – plan deficit	**$ (297,629)**	$ (60,002)	**$ (159,681)**	$ (138,885)
Unamortized net actuarial losses	**372,303**	155,129	**11,134**	—
Accrued benefit asset (liability)	**$ 74,674**	$ 95,127	**$ (148,547)**	$ (138,885)

The plan does not directly own common shares of the Company or its subsidiaries. The plan does own units of index funds that may hold shares of the Company by virtue of the fact that the shares of the Company are listed on the relevant index.

10 ACCRUED BENEFIT OBLIGATION continued

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows (weighted-average assumptions as of December 31):

	Pension benefit plans		Other benefit plans	
	2002	2001	**2002**	2001
Discount rate	**6.75%**	7.00 %	**6.75%**	7.00 %
Expected long-term rate of return on plan assets	**7.50%**	9.00 %	**—**	—
Rate of compensation increase	**3.00%**	3.00 %	**3.00%**	3.00 %

For measurement purposes, it was assumed that the per capita cost of covered health care benefits would increase by 8.0 per cent for 5 years, and by 4.5 per cent per year thereafter.

Discount rates are based on the range of current interest rates on long-term debt of high-quality ('A' rating or higher) corporate issuers. Expected long-term rate of return on plan assets is based on the mid-point range of long-term forecasts of capital market returns, given the Company's policy asset mix. Over the past 10 years, the weighted average rate of return for the Company's defined benefit pension plans was 8.9 per cent per annum.

The Company's net benefit plan expense is as follows:

	Pension benefit plans		Other benefit plans	
(thousands of dollars)	**2002**	2001	**2002**	2001
Current service cost	**$ 26,649**	$ 25,529	**$ 3,274**	$ 3,060
Interest cost	**87,218**	83,324	**9,665**	9,002
Expected return on plan assets	**(115,176)**	(115,107)	**—**	—
Net benefit plan (recovery) expense	**$ (1,309)**	$ (6,254)	**$ 12,939**	$ 12,062

2002 sensitivity of key assumptions:

(thousands of dollars, rounded to nearest million)	Change in accrued benefit obligation	Change in expense
Pension benefit plans		
Impact of .25% change in discount rate assumption	$ 44,000	$ 1,000
Impact of .25% change in rate of compensation increase assumption	$ 9,000	$ 1,000
Impact of .25% change in long-term rate of return on plan assets assumption	$ —	$ 3,000
Other benefit plans		
Impact of .25% change in discount rate assumption	$ 6,000	$ —
Impact of .25% change in assumed health care cost trends	$ 6,000	$ —

11 NON-CONTROLLING INTEREST

The non-controlling interest consists of common equity of subsidiary companies held by third parties.

(thousands of dollars)	**2002**	2001
Stratos Global Corporation	**$ 161,612**	$ 52,657
TechKnowledge Inc.	**839**	835
Atlantic Mobility Products Ltd.	**2,435**	1,165
Prexar LLC	**—**	572
Sablecom	**1,997**	1,834
Transtech Engineering Inc.	**—**	49
AMI Offshore Inc.	**3,973**	3,917
	$ 170,856	$ 61,029

12 CAPITAL STOCK

Authorized

Unlimited number of preference shares, cumulative redeemable at the price of $25.00 per share and with a fixed annual dividend rate of $1.3625 per share. These shares are non-voting, except under certain conditions, and are redeemable at the Company's option on June 30, 2006 or on June 30 each fifth year thereafter.

Preference shareholders (Series 2) may convert Series 2 preference shares to Series 3 shares on June 30, 2006 or on June 30 each fifth year thereafter, provided that the Company has not delivered a notice of redemption.

Unlimited number of common shares, without par value.

Issued

(thousands of dollars)		**2002**		2001
	Number of shares	**Value**	Number of shares	Value
Preference shares, series 2	**7,000,000**	**$ 172,264**	7,000,000	$ 172,264
Common shares	**139,513,639**	**1,065,386**	137,526,147	1,014,416
		$ 1,237,650		$ 1,186,680

The following table summarizes the changes in issued common shares of the Company:

(thousands of dollars)		**2002**		2001
	Number of shares	**Value**	Number of shares	Value
Stock option plan (note 17)	**437,018**	**$ 7,369**	336,488	$ 5,072
Common shareholder dividend reinvestment and stock purchase plan	**1,373,235**	**38,335**	1,836,679	54,353
Employees' stock savings plan (note 17)	**441,539**	**12,452**	1,015,997	32,390
Shares purchased for cancellation	**(264,300)**	**(7,186)**	—	—
	1,987,492	**$ 50,970**	3,189,164	$ 91,815

12 CAPITAL STOCK continued

Under the provisions of the Company's common shareholder dividend reinvestment and stock purchase plan and employees' stock savings plan, shareholders purchase additional common shares in lieu of receiving corporate dividends in the form of cash.

During the year ended December 31, 2002, the Company issued shares in relation to the common shareholder dividend reinvestment and stock purchase plan as well as the employees' stock savings plan in lieu of paying cash dividend in the amount of $41.5 million (2001 – $57.8 million).

On July 18, 2002, Aliant Inc. announced acceptance by the Toronto Stock Exchange of Notice of intention to purchase from time to time up to 1,600,000 of its outstanding common shares on the Toronto Stock Exchange, representing approximately 1.1 per cent of the issued and outstanding common shares of Aliant Inc. as of that date, being 139,567,382 common shares. Under the bid, the Company would acquire, from time to time, its common shares at the market price from cash through the facilities of the Toronto Stock Exchange. Purchases of common shares may be made during the 12-month period commencing July 22, 2002 and ending on July 21, 2003. All common shares purchased will be cancelled by Aliant Inc.

During the period, the Company purchased and cancelled 264,300 shares for an aggregate price of $7.2 million, of which $7.2 million was charged to share capital.

13 SEGMENTED INFORMATION

The Company operates through four reportable segments:

Telecommunications – provides a full range of telecommunications services in New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador. Included in this line of business is Aliant Telecom Inc.

Information technology – provides systems integration, application development, local area network installation, wide area network management, data center operations, VAR and information technology planning services. Included in this line of business is Xwave Solutions Inc.

Remote communications – provides a full range of satellite communications services to clients in the international marketplace. Included in this line of business are Stratos Global Corporation and its subsidiaries.

Emerging business – focused mainly on (1) providing operational process excellence to the telecommunications sector principally in the area of eLearning through Innovatia Inc.; and (2) supply and service of the east coast oil and gas industry as conducted by AMI Offshore Inc. Effective January 1, 2003, Innovatia Inc. will be included in the telecommunications segment with the remaining businesses currently reported under emerging business segment being included with all others.

These reportable segments are managed as separate business units as they operate in different industries and require different market strategies and technologies.

The accounting policies of the segments are the same as those described in note 1. The Company evaluates performance based on a number of financial and non-financial indicators including net income, return on equity and revenue growth.

The Company accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices.

13 SEGMENTED INFORMATION continued

For the year ended December 31 (thousands of dollars)

2002

	Telecommunications	Information technology	Remote communications	Emerging business	All others	Eliminations	Consolidated
Revenue from external customers	$ 1,764,402	$ 253,561	$ 513,175	$ 93,741	$ 5,474	$ —	$ 2,630,353
Intersegment revenue	21,733	145,777	—	4,494	—	(172,004)	—
Operating revenue	1,786,135	399,338	513,175	98,235	5,474	(172,004)	2,630,353
Operating expenses	926,043	396,470	403,383	102,642	29,231	(169,037)	1,688,732
Depreciation and amortization	365,272	12,716	43,164	18,876	1,123	—	441,151
Restructuring charge	—	—	—	—	—	—	—
Gain (loss) on foreign exchange	—	—	23,944	—	—	—	23,944
Write-down of goodwill	—	(50,000)	—	—	—	—	(50,000)
Other income (expenses)	1,195	25,710	—	(33,978)	270,868	(260,103)	3,692
Interest expense	87,277	2,635	38,757	1,343	5,194	(8,519)	126,687
Income taxes	164,516	(4,468)	1,529	(4,824)	4,231	(12,083)	148,901
Non-controlling interest	(1,354)	(13)	(23,514)	(61)	—	—	(24,942)
Net income (loss)	$ 242,868	$ (32,318)	$ 26,772	$ (53,841)	$ 236,563	$ (242,468)	$ 177,576
Total assets	$ 2,656,036	$ 197,219	$ 805,943	$ 89,524	$ 2,027,554	$ (2,146,602)	$ 3,629,674
Capital expenditures	$ 362,527	$ 6,125	$ 36,970	$ 7,984	$ 1,359	$ —	$ 414,965
Goodwill acquired (impairments)	$ (145)	$ (50,000)	$ —	$ (8,477)	$ —	$ —	$ (58,622)

For the year ended December 31 (thousands of dollars)

2001 *(as restated, note 1)*

	Telecommunications	Information technology	Remote communications	Emerging business	All others	Eliminations	Consolidated
Revenue from external customers	$ 1,827,916	$ 221,040	$ 450,904	$ 100,960	$ 746	$ —	$ 2,601,566
Intersegment revenue	19,915	153,104	—	27,926	—	(200,945)	—
Operating revenue	1,847,831	374,144	450,904	128,886	746	(200,945)	2,601,566
Operating expenses	970,007	340,909	351,098	133,750	22,593	(193,828)	1,624,529
Depreciation and amortization	349,248	16,468	52,272	8,985	349	7,630	434,952
Restructuring charge	76,448	25,755	—	3,034	6,000	—	111,237
Gain (loss) on foreign exchange	—	—	(30,938)	—	—	—	(30,938)
Write-down of goodwill	—	—	—	—	—	—	—
Other income (expenses)	(457)	340	(13,874)	(2,209)	164,558	(165,179)	(16,821)
Interest expense	97,403	2,109	57,106	1,561	10,711	(11,401)	157,489
Income taxes	158,272	(41)	9,417	(6,102)	(12,296)	(3,211)	146,039
Non-controlling interest	(869)	121	25,019	268	—	—	24,539
Net income (loss)	$ 195,127	$ (10,595)	$ (38,782)	$ (14,283)	$ 137,947	$ (165,314)	$ 104,100
Total assets	$ 2,635,164	$ 234,863	$ 784,469	$ 151,163	$ 1,792,589	$ (1,934,002)	$ 3,664,246
Capital expenditures	$ 392,957	$ 11,444	$ 22,767	$ 35,283	$ 3,191	$ —	$ 465,642
Goodwill acquired (impairments)	$ —	$ —	$ —	$ 2,040	$ —	$ —	$ 2,040

13 SEGMENTED INFORMATION continued

Revenue from external customers by product and service

For the years ended December 31 (thousands of dollars)	**2002**	2001
Telecommunications		
Local	**$ 767,040**	$ 868,424
Long distance	**384,845**	392,648
Wireless	**281,320**	249,897
Other telecommunications	**331,197**	316,947
	1,764,402	1,827,916
Information technology		
Products	**140,749**	107,107
Services	**112,812**	113,933
	253,561	221,040
Remote communications		
Mobile satellite services	**367,923**	304,171
Broadband services	**145,252**	146,733
	513,175	450,904
Emerging business	**93,741**	100,960
Other	**5,474**	746
	$ 2,630,353	$ 2,601,566

14 OTHER INCOME (EXPENSES)

The Company recorded a gain on reduction of ownership in one of its subsidiaries in the amount of $32.5 million. In addition, certain portfolio investments, investments subject to significant influence and assets of subsidiary companies were written down to their estimated market value by $5.6 million, $10.6 million and 13.2 million respectively ($24.2 million net of income taxes).

15 EARNINGS PER COMMON SHARE

For the years ended December 31 (thousands of dollars except per share amounts)	**2002**	2001
Net income applicable to common shares:		
Net income	**$ 177,576**	$ 104,100
Preferred share dividends	**(9,538)**	(6,619)
Net income applicable to common shares	**$ 168,038**	$ 97,481
Basic:		
Average number of common shares outstanding	**138,907**	135,615
Basic earnings per share	**$ 1.21**	$ 0.72
Diluted:		
Average number of common shares outstanding	**138,907**	135,615
Impact of outstanding stock options	**—**	463
	138,907	136,078
Diluted earnings per share	**$ 1.21**	$ 0.72

Common shares issuable under the terms of the Company's stock option plans have not been included in the calculation of diluted earnings per share as their effect is anti-dilutive for 2002.

The table below presents pro-forma net income, earnings per share and diluted earnings per share using the fair market value method of accounting for stock-based compensation. The pro-forma adjustments presented below pertain to new awards granted since adoption of the new stock-based compensation standards on January 1, 2002 as described in note 1.

For the year ended December 31 (thousands of dollars except per share amounts)	**2002**
Pro-forma net income applicable to common shares:	
Net income	**$ 177,576**
Preferred share dividends	**(9,538)**
Pro-forma adjustments	**(2,259)**
Pro-forma net income applicable to common shares	**$ 165,779**
Basic:	
Average number of common shares outstanding	**138,907**
Pro-forma earnings per share	**$ 1.19**
Diluted:	
Average number of common shares outstanding	**138,907**
Impact of outstanding stock options	**—**
	138,907
Pro-forma earnings per share	**$ 1.19**

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for options granted during the year ended December 31, 2002:

Dividend yield	3.41%
Expected volatility	25.30%
Risk-free interest rate	4.33%
Expected lives	6.9 years

16 ACQUISITIONS

There were no acquisitions in 2002.

The Company made the following acquisitions in 2001 for cash consideration:

(thousands of dollars)			2001		
Subsidiary acquired	Acquisition date	% acquired	Purchase price	Net assets acquired	Goodwill
Emerging business					
Lamere.Net – asset purchase (internet access provider)	January 1	100	$ 2,146	$ 1,239	$ 907
Internet Maine – asset purchase (internet access provider)	April 12	100	1,327	194	1,133
			3,473	1,433	2,040
Less : Cash in subsidiary at time of acquisition			934	934	—
Acquisition, net of cash acquired			$ 2,539	$ 499	$ 2,040

These acquisitions were accounted for using the purchase method of accounting. The consolidated statements of income include the results of operations from the date of acquisition.

17 STOCK-BASED COMPENSATION PLANS

At December 31, 2002 the Company has the following stock-based compensation plans.

Stock option plan

Under the stock option plan, the Company may grant options to plan members for up to 7,361,746 shares of common stock, of which 2,680,450 options for the same number of common shares were outstanding as at December 31, 2002. The exercise price of each option equals the market price of the Company's stock on the date of grant and an option's maximum term is ten years. Options vest evenly over three years from the date they are granted under the plan.

A summary of the status of the Company's stock option plan as of December 31, 2002 and December 31, 2001, and changes during the periods ended on those dates is presented below:

	2002		2001	
	Number of shares	**Weighted-average exercise price**	Number of shares	Weighted-average exercise price
Options outstanding at beginning of period	**2,558,275**	**$ 26.67**	2,478,674	$ 23.26
Granted	**633,049**	**29.05**	416,089	35.34
Forfeited	**73,856**	**25.48**	—	—
Exercised	**437,018**	**16.86**	336,488	15.07
Options outstanding at end of period	**2,680,450**	**$ 28.94**	2,558,275	$ 26.67
Options exercisable at end of period	**1,668,501**	**$ 27.61**	1,614,550	$ 21.53

17 STOCK-BASED COMPENSATION PLANS continued

The following table summarizes information about stock options outstanding at December 31, 2002:

Range of exercise prices	Options outstanding: Number outstanding	Weighted-average remaining contractual life in years	Weighted-average exercise price	Options exercisable: Number exercisable	Weighted-average exercise price
$10.625 to $15.718	204,891	3.7	$ 13.82	204,891	$ 13.82
$17.557 to $20.079	191,865	5.1	$ 19.89	191,865	$ 19.89
$21.768 to $25.552	358,501	6.0	$ 22.74	328,957	$ 22.73
$27.950 to $34.900	1,432,821	8.1	$ 31.64	693,937	$ 33.33
$35.250 to $38.100	492,372	8.1	$ 35.42	248,851	$ 35.43
	2,680,450		$ 28.94	1,668,501	$ 27.61

The Company expects that approximately 95 per cent of the nonvested awards at December 31, 2002 will eventually vest.

Employees' stock savings plan

Under the employees' stock savings plan, the Company is authorized to issue up to 3,500,000 shares of common stock to its full-time employees, nearly all of whom are eligible to participate.

Under the terms of the plan, employees can choose each year to have a portion of their annual base earnings withheld to purchase the Company's common stock. The Company contributes to the plan on behalf of eligible participants based upon a prescribed formula. The purchase price of the stock is the arithmetic average of the closing price of the shares traded on The Toronto Stock Exchange on the last five days up to, and including, the dividend payment date. Over 80 per cent of eligible employees are participating in the plan. Under the plan, the Company sold 441,539 shares from treasury and 693,106 shares from market repurchases to employees from January 1 to December 31, 2002.

Employee stock option plan of a subsidiary company

A subsidiary of the Company has a stock option plan specific to its own shares. Under this stock option plan, the subsidiary may grant options to plan members at the discretion of the Board of Directors. The exercise price of each option equals the fair market value price of the company's stock on the date of grant and an option's maximum term is ten years. Options become fully vested at the date they are granted under the plan. A participant in this plan may elect to cash settle the options in lieu of exercising them.

As at December 31, 2002, there were 565,414 (2001 – 252,015) options outstanding and exercisable. The weighted average remaining contractual life of the options is 8.0 years (2001 – 6.6 years) and the weighted average exercise price is $8.00 (2001 – $3.79).

18 FINANCIAL INSTRUMENTS

Risk management

Periodically, the Company uses cross-currency and interest rate swaps, forward contracts, forward rate agreements and interest rate caps to manage its foreign currency and interest rate positions associated with its debt instruments. The terms of these derivative contracts generally match the terms associated with the underlying debt instruments. These contracts are generally used to reduce financing costs and to diversify the Company's access to capital markets.

A subsidiary of the Company has earnings and cash flow that may be negatively impacted by fluctuations in interest and foreign currency exchange rates. In special situations, the subsidiary may enter into foreign currency forward exchange contracts in order to mitigate earnings volatility associated with foreign currency fluctuations and match the timing of cash flow requirements.

Credit risk

The Company is exposed to credit risk with respect to accounts receivable from customers. The Company has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks, and maintains provisions for potential credit losses that are assessed on an ongoing basis.

The Company has entered into a transfer of receivables as described in note 2. The Company remains exposed to certain risks of default on the amount of receivables under securitization.

Currency exposures

At December 31, 2002, the Company had no principal amounts outstanding under cross-currency contracts (2001 – $0.8 million).

A subsidiary of the Company operates internationally and is therefore exposed to market risks related to foreign exchange rate fluctuations. The subsidiary does not enter into forward contracts to manage exposure to exchange rate fluctuations pertaining to its future net cash flows of currencies other than the U.S. dollar.

Interest rate exposures

The Company's long-term debt consists of both floating and fixed interest rate financing, and is therefore subject to risks associated with fluctuating interest rates.

A subsidiary of the Company has entered into, for hedging purposes, two interest rate swap transactions ("the Swap transactions") with two Canadian chartered banks. The Swap transactions expire on December 30, 2005. They involve the exchange of the underlying three-month U.S. dollar LIBOR floating interest rates for fixed interest rates of 5.43 per cent per annum. The notional amount of the Swap transactions at December 31, 2002 was $142.0 million each for a total of $284.0 million.

Fair value

Fair values approximate amounts at which financial instruments could be exchanged between willing parties, based on current markets for instruments of the same risk, principal and remaining maturities. Fair values are based on estimates using present value and other valuation techniques, which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates, which reflect varying degrees of risk. Potential income taxes and other expenses that would be incurred on disposition of these financial instruments have not been reflected in the fair values. Therefore, due to the use of subjective judgement and uncertainties, the aggregate fair value amount should not be interpreted as being realizable in an immediate settlement of the instruments.

At December 31, 2002 and 2001, the carrying value of all financial instruments approximates fair value with the exception of long-term debt, which has been estimated to be $1,594.3 million (2001 – $1,699.0 million) with a carrying value of $1,408.6 million (2001 – $1,545.5 million).

19 COMMITMENTS & LEASES

The estimated future minimum lease payments under operating leases for the next five years are as follows: 2003 – $111.0 million; 2004 – $103.0 million; 2005 – $97.1 million; 2006 – $93.4 million; 2007 – $66.3 million; and thereafter $444.2 million.

20 RELATED PARTY TRANSACTIONS

Bell Canada beneficially owns and controls 53.12 per cent (2001 – 53.00 per cent) of the outstanding common shares of the Company as at December 31, 2002.

In the normal course of business, the Company had transactions with related parties as follows:

(thousands of dollars)		**2002**	2001
Related party	**Nature of transaction**		
Controlled investees of Bell Canada	Purchases of telecommunications and other services	**$ 80,089**	$ 53,564
	Telecommunications revenue	**$ 38,597**	$ 35,813
	Purchases of capital	**$ 5,942**	$ 1,438

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The balances due to and due from affiliates are non-interest bearing and under normal credit terms and have arisen from the sales of products and provision of services referred to above.

At December 31, 2002, accounts receivable included $4.2 million (2001 – $5.7 million) due from related parties. Payables and accruals included $6.0 million (2001 – $4.2 million) due to related parties.

21 JOINT VENTURES

The Company and its subsidiaries are partners in the following joint ventures: Aliant ActiMedia (87.14 per cent); and Laurentides Joint Venture (67.00 per cent) up to November 2001 when the subsidiary purchased the other partner's interest. The operations of Laurentides Joint Venture have been consolidated in the accounts of the Company since November 2001 when control was acquired.

The effect of proportionate consolidation of the joint ventures on the Company's consolidated financial statements is summarized below:

(thousands of dollars)	**2002**	2001
Consolidated statements of income		
Operating revenues	**$ 44,513**	$ 61,560
Expenses	**16,523**	45,811
Operating income	**$ 27,990**	$ 15,749
Consolidated balance sheets		
Current assets	**$ 31,119**	$ 28,538
Long-term assets	**311**	331
Current liabilities	**3,957**	3,273
Net investment	**$ 27,473**	$ 25,596
Consolidated statements of cash flows		
Operating activities	**$ (631)**	$ (721)
Investing activities	**(88)**	684
Financing activities	**—**	—
Net cash flow	**$ (719)**	$ (37)

22 CONTINGENCIES

(a) An international arbitration action for approximately US$8.0 million was initiated in 1999 against certain subsidiaries of the Company claiming breach of contract. In July 2002, an arbitrator awarded the claimant damages plus other costs and interest, which totalled $1.1 million. This amount was paid by the subsidiary during the fourth quarter of 2002, which completed the arbitration action.

(b) An action has been commenced against the Company by 132 former employees who took early retirement under the 1998 early retirement incentive program. The former employees seek damages in the amount of the difference between what they received upon retirement in 1998, and what they would have received had they retired under the 1999 early retirement incentive program. The outcome of this matter is not determinable at this time.

(c) On May 30, 2002 the CRTC released its Decision 2002-34, which determines the rates charged for certain local telephone services effective June 1, 2002. Decision 2002-34 requires the use of a deferral account mechanism to mitigate the potential adverse effects on the Company of mandated rate reductions. Certain mandated revenue reductions are accumulated in an interest bearing deferral account. The deferral account will be reduced by one, or a combination of the following:

- Rate reductions for residential local services that are proposed as the result of competitive pressures;
- Rate reductions for business services mandated to meet price cap index;
- The approval of exogenous factors;
- Rate increases less than the amount by which inflation exceeds productivity;
- Subscriber rebates; and
- Funding initiatives that would benefit residential customers in other ways.

The Company has calculated its deferral account balance to be $9.6 million as of December 31, 2002. The Company has not recognized the deferral account as a liability in its financial statements because it has made a proposal to the CRTC to approve reductions to the deferral account by means other than rebates or rate reductions. If the CRTC rejects this proposal and requires the Company to reduce rates or issue rebates the amount in the deferral account would be charged to income and recorded as a liability.

23 COMPARATIVE FIGURES

The comparative financial information has been restated to conform to the presentation adopted for 2002.

Current and past performance

(thousands of dollars except per share amounts)	2002	2001 (note 23)	2000	1999	1998	1997
Income statement items						
Total operating revenues	**$ 2,630,353**	$ 2,601,566	$ 2,274,180	$ 2,030,705	$ 1,723,772	$ 1,610,079
Total operating expenses	**$ 2,129,883**	$ 2,059,481	$ 1,773,213	$ 1,583,695	$ 1,313,135	$ 1,227,564
Restructuring costs	**$ —**	$ 111,237	$ —	$ 78,000	$ —	$ —
Other income (expenses)	**$ (22,364)**	$ (47,759)	$ 16,872	$ 19,652	$ 10,875	$ 2,903
Interest charges	**$ 126,687**	$ 157,489	$ 124,387	$ 120,638	$ 108,036	$ 109,659
Income taxes	**$ 148,901**	$ 146,039	$ 183,890	$ 133,929	$ 140,793	$ 128,545
Non-controlling interest	**$ 24,942**	$ (24,539)	$ (7,559)	$ (5,975)	$ 974	$ 730
Net income before extraordinary item	**$ 177,576**	$ 104,100	$ 217,121	$ 140,070	$ 171,709	$ 146,484
Extraordinary item	**$ —**	$ —	$ —	$ —	$ —	$ (344,335)
Net income (loss)	**$ 177,576**	$ 104,100	$ 217,121	$ 140,070	$ 171,709	$ (197,851)
Balance sheet items						
Total assets	**$ 3,629,674**	$ 3,664,246	$ 3,729,635	$ 2,886,558	$ 2,676,991	$ 2,461,326
Shareholders equity	**$ 1,670,575**	$ 1,582,979	$ 1,343,403	$ 1,096,228	$ 1,041,616	$ 941,596
Non-controlling interest	**$ 170,856**	$ 61,029	$ 82,486	$ 29,718	$ 36,882	$ 2,329
Long-term debt – including current portion	**$ 1,408,600**	$ 1,545,529	$ 1,568,271	$ 1,187,573	$ 1,107,546	$ 1,023,448
Financial ratios						
Earnings (loss) per average common share	**$ 1.21**	$ 0.72	$ 1.65	$ 1.11	$ 1.36	$ (1.58)
Dividends declared per common share	**$ 1.00**	$ 0.90	$ 0.90	$ 0.83	$ 0.75	$ 0.74
Interest coverage	**3.77**	2.43	4.17	3.88	3.90	3.51
Average common shares outstanding (thousands)	**138,907**	135,615	131,662	126,550	125,543	125,005
Telecommunications						
Total operating revenue	**$ 1,786,135**	$ 1,847,831	$ 1,784,365	$ 1,644,330	$ 1,556,775	$ 1,531,882
Total operating expenses	**$ 1,291,315**	$ 1,319,255	$ 1,304,863	$ 1,210,205	$ 1,156,957	$ 1,169,803
Network access services – wireline	**1,520,930**	1,526,549	1,554,942	1,538,569	1,503,004	1,453,995
Network access services – wireless	**550,567**	471,568	389,544	298,448	231,031	180,781
Long distance minutes (thousands)	**3,666,492**	3,496,804	3,289,594	2,856,062	2,126,524	1,872,666
Internet subscribers[1]	**288,131**	262,609	212,277	166,750	125,844	83,861

1 Includes both Canadian and U.S. subscribers

Owning AIT

We're here to help

To learn more about Aliant, please visit our Web site at www.aliant.ca.
Contact Aliant investor relations for additional financial and statistical information, and industry developments.

Phone: 1.877.248.3113 (toll free in Canada and U.S.)
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Contact our transfer agent, CIBC Mellon Trust Company, for information about the dividend reinvestment and stock purchase plan (DRP) and for answers to shareholder inquiries.

Phone: 1.800.387.0825 (toll free in Canada and U.S.)
Email: inquiries@cibcmellon.com
Web site: www.cibcmellon.com
Mailing address: CIBC Mellon Trust Company
Investor Correspondence
PO Box 7010,
Adelaide Street Postal Station
Toronto, ON M5C 2W9

Where we're listed

Our shares are listed on The Toronto Stock Exchange. Aliant's ticker symbol is AIT.

Share certificate exchange

For shareholders who have yet to do so, please exchange your Bruncor, Island Tel, MTT, or NewTel share certificates for Aliant share certificates. Contact CIBC Mellon Trust Company.

Direct deposit of dividends

Registered common shareholders may have dividends deposited electronically into their bank account (in Canada only). Contact CIBC Mellon Trust Company.

Dividend dates for 2003*

Record dates	*Payment dates*
March 15	March 30
June 15	June 30
September 15	September 30
December 15	December 30

** Subject to approval by the Board of Directors*

Dividend reinvestment plan

Registered common shareholders of Aliant may reinvest their dividends, automatically and without fees, in additional shares of the Company. Also, up to $10,000 in Company shares may be purchased each quarter with optional cash payments. All administration costs are paid by the Company. Approximately 40 per cent of registered shareholders are enrolled in the plan. A brochure containing information on the dividend reinvestment and stock purchase plan may be obtained by calling CIBC Mellon Trust Company.

Electronic distribution of materials

Registered shareholders can obtain investor information and reports from Aliant electronically rather than through the mail. To access our online enrollment form, go to www.cibcmellon.com/electronicdelivery located on our transfer agent's Web site and follow the simple instructions.

Stock registrar and transfer agent

CIBC Mellon Trust Company

Bond trustee, registrar and transfer agent

Computershare Investor Services, and CIBC Mellon Trust Company

Annual information form

The annual information form as filed with the Canadian securities commissions is available upon request. For further information about the Company, institutional investors, brokers and security analysts should contact Aliant investor relations.

Common share price range*

	January	February	March	April	May	June	July	August	September	October	November	December
High	$30.35	$29.75	$31.00	$30.01	$31.25	$31.56	$29.43	$29.47	$29.74	$29.93	$28.40	$27.35
Low	$28.50	$28.96	$26.43	$25.50	$28.41	$27.36	$24.05	$26.00	$28.25	$25.00	$25.97	$25.25
Close	$29.50	$29.50	$26.65	$29.50	$31.25	$27.96	$26.25	$28.50	$29.73	$27.15	$26.95	$25.25
Volume	1,810,700	1,549,400	2,639,600	3,221,000	2,440,300	2,307,800	1,842,000	1,544,300	1,285,000	1,965,600	1,742,400	1,372,200

** Toronto Stock Exchange*

Words we use

1xRTT
One times radio transmission technology (1xRTT) is the next generation wireless data technology, which offers customers improved graphics, faster Internet connection speed, and quick and convenient access to email and information.

Access Care
Access Care is a schedule and dispatch system that provides employees in the field and business office with up-to-date scheduling, job tracking and reporting information. Access Care directly links billing and customer records systems, and offers better appointment scheduling to our customers.

Aliant.net
A dynamic, interactive, Internet portal that provides our customers with information, music and video entertainment, and an array of relevant and compelling content. Aliant.net is the entryway for customers to find everything they are looking for in an online experience.

Balanced Scorecard
Balanced Scorecard is a management tool that uses an integrated framework for describing strategy by linking performance measures in four, balanced perspectives – employee learning and growth, internal processes, customer, and financial. Since its introduction in 1992 companies around the world have applied the Balanced Scorecard framework to translate their strategies into action and provide everyone with the opportunity to demonstrate how they contribute to overall organizational results.

Broadband
The volume of information that can be transmitted through a cable or fibre at any one time is measured in bandwidth. Broadband has the capability to carry enormous amounts of information enabling Aliant to deliver new products and services to its customers.

Digital Multiplex System (DMS)
DMS is a fully digital circuit switch that delivers superior local exchange and long distance services worldwide.

eLearning
The ability to deliver training via the Internet to provide faster, more timely, and relevant educational opportunities to learners who are geographically dispersed.

Internet protocol (IP)
Software that tracks the Internet address of nodes, routes outgoing messages and recognizes and routes incoming messages.

Knowledge services
Knowledge services is a term used by Innovatia to convey the transfer of information to a group or individual so that it can be applied, therefore turning this information into knowledge. The medium by which this knowledge transfer occurs can take place through a training course, through technical documentation, or through a phone or email conversation with a contact centre agent. Innovatia's three product lines: eLearning, documentation services, and pre- and post-sales technical support (customer contact solutions) are all utilized to transfer technical information/knowledge to our telecommunication industry customers.

Mobile Merchant
Mobile Merchant is the Aliant Mobility wireless point-of-sale terminal that processes credit and debit card transactions over our CDPD network. The point-of-sale service can be used by businesses, such as appliance repair and food delivery, to provide their customers with convenient payment options.

NAS
Network access services or NAS is the number of unique physical connections (lines) to the telecommunications network.

PDA
A PDA is a personal digital assistant or digital organizer that can be comfortably held in your hand (also called a handheld). Much like a traditional computer, PDAs consist of a display screen (the screen is usually a touch screen, and it is called a LCD display), a processor, memory, and an operating system.

Portal
The term portal is generally synonymous with gateway and refers to a World Wide Web site that users tend to visit as an anchor site.

TeleWeb
TeleWeb is a sales channel that integrates tele-based sales resources with Web technology to perform and support sales, marketing, and customer service efforts. Leading companies have found that creating an integrated TeleWeb channel generates a powerful competitive advantage in a business-to-business environment. When properly deployed, TeleWeb channels have enabled corporations to grow revenues, reduce sales and marketing costs, and improve customer satisfaction and loyalty.

Wireless
The communications network and the related equipment that transmits conversations and information using radio waves rather than wires.

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Our vision

To be the company with the strongest connection to the hearts and minds of Atlantic Canadians.

Annual meeting of shareholders
World Trade and Convention Centre
Halifax, Nova Scotia
2:00 pm (local time)
Wednesday, May 14, 2003

The annual meeting will be Webcast at www.aliant.ca

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Aliant

HERE. FOR YOU.

Bernadette Fernandes
Manager – sales planning & results